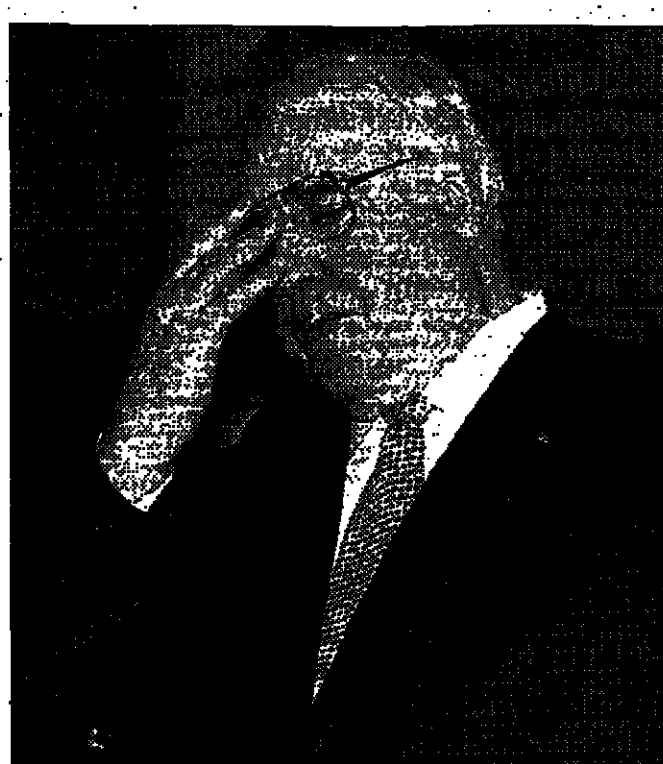




The French prime minister, Lionel Jospin, and his labor minister, Martine Aubry, announcing an emergency fund for the unemployed on Friday in Paris. Page 2.



Mr. Kohl at a press conference Friday in Windhagen. "It will not be possible to cut unemployment by half," he said.

A Record Number Of Jobless Germans

11.9% Rate Is Postwar High; Kohl Retreats From Pledge

By John Schmid
International Herald Tribune

FRANKFURT — German unemployment rose to a postwar record last month and forced Chancellor Helmut Kohl to abandon his major jobs goal for the year 2000.

"Looking at the current situation, it will not be possible to cut unemployment by half," Mr. Kohl conceded Friday as he arrived at a meeting with his re-election advisers in the city of Windhagen. "The job situation is not at all satisfactory."

The Federal Labor Office reported that unemployment in Europe's economic powerhouse reached a postwar record of 11.9 percent, up from 11.8 percent in November. That put the December total at 4.546 million on a seasonally adjusted basis and ended the year with unemployment levels not seen in Germany since the days of the Weimar Republic.

Before adjusting for seasonal variations, the number of unemployed was 4.52 million, or 11.8 percent, in December, up 200,000 from 4.32 million, or 11.3 percent, in November.

Waves of mass layoffs since the 1993 recession, the dark underside of Germany's corporate restructuring and export success, have been an enduring embarrassment to Mr. Kohl. Despite

increasing business profits and successive years of economic expansion, the German economy repeatedly has defied the government's optimistic labor-market predictions.

Few took Mr. Kohl seriously in January 1996 when he announced plans to cut in half the number of unemployed, which then stood below 4 million. That number has risen by a half million since Mr. Kohl first embraced the quixotic target.

"But I am holding on to the goal of cutting unemployment as fast as possible," Mr. Kohl affirmed Friday.

Unemployment could swell to even higher levels this winter, forecasters warn. Some predictions call for a peak of around 4.8 million or even 5 million by February. For 1998, some economists believe joblessness could average 4.5 million, up from 4.38 million in 1997 and 3.96 million in 1996.

Several factors have combined to hurt jobs progress, analysts say. Political gridlock in Bonn has thwarted economic reforms deemed necessary to lure new investment and hiring, while Germany's companies have shed jobs to compensate for the nation's steep labor costs. In what some editorial writers call an election-year search for scapegoats, Mr. Kohl's labor minister, Norbert

See JOBS, Page 5

Relief in Jakarta Doesn't Impress Wall Street

U.S. and IMF Act To Bolster Rupiah, But Dow Falls 222

By Michael Richardson
International Herald Tribune

Wall Street tumbled Friday, with the Dow Jones industrial index sliding more than 220 points on concern that weak Asian economies would crimp demand for U.S. exports and cut corporate profits.

The drop was dramatic even as an emergency initiative started by the Clinton administration and the International Monetary Fund calmed Indonesia's markets. This persuaded traders there, at least temporarily, that a potentially devastating loan default by the world's fourth-most populous nation might be avoided.

The Indonesian rupiah recovered almost 30 percent of its value against the dollar in Asian trade after President Bill Clinton telephoned President Suharto early Friday. American officials said that Mr. Clinton received an assurance that Jakarta was committed to carry out far-reaching reforms agreed to in October with the IMF in exchange for rescue loans totaling \$40 billion.

But despite this boost to sentiment, the rupiah lost ground again in thin trading later in the day. It was at \$1,150 to the dollar in New York.

Stocks dropped on Wall Street by as much as 275.26 points, or 3.53 percent, led by IBM, Travelers Group and Exxon



PANIC-BUYING — Police guarding a line to buy cooking oil in Jakarta on Friday, as tensions mounted over Indonesia's economic crisis. Page 14.

before closing at 7580.42 points, down 222.20 for the day. U.S. bond yields, which also focused on Asia's financial crisis, fell because of the potential drag on the economy, Bloomberg News reported. (Page 10.)

In New York on Thursday, the Indonesian rupiah hit a historic low of 11,000 after panic buying of food in Jakarta and other Indonesian cities and rumors that Mr. Suharto, in power for 32 years, might be forced to resign.

Crowds still jammed supermarkets Friday in the capital even after Mr. Suharto, a retired army general, ordered

The Dollar			
	Friday @ 4 P.M.	previous close	
New York	1.8229	1.8215	
DM	1.6127	1.6125	
Pound	1.3215	1.3215	
Yen	6.089	6.0825	
The Dow			
	Friday close	previous close	
	7580.42	7802.62	
S&P 500			
	Friday @ 4 P.M.	previous close	
change	927.69	956.04	

See ASIA, Page 14

Wary G-7 Officials Fear Growing Risk of Default by Indonesia

By Alan Friedman
International Herald Tribune

Senior Western financial officials said Friday they believed there was a serious risk that Indonesia might default on tens of billions of dollars of foreign debt.

"The risk of default is now probably quite large," said a Western official who is working closely with the International Monetary Fund.

Several senior central bank and Finance Ministry officials from the Group of Seven industrial nations, all of whom spoke on condition they not be named, said that the chances of Indonesia restoring market confidence and avoiding a default were likely to hinge on the success over the next few days of visits to Jakarta by top IMF officials and by Larry Summers, the deputy U.S. Treasury secretary.

The problem, they said, is that Indonesia's actual foreign-currency debt is thought to be substantially larger than the official total of \$58.7 billion, and much of it is scattered across the country's corporate sector rather than held by banks.

In addition, given the rupiah's current low level against the U.S. dollar, many Indonesian debtors will simply be unable to finance their debt repayments, at least for the time being.

"There is no silver bullet to solve the Indonesian crisis," said Mark Malloch-Brown, a senior vice-president of the World Bank.

While international bankers who met in New York on Thursday were able to agree to delay debt repayments by South Korea to pave the way for an overall debt rescheduling, the situation in Indonesia was described by one Western official as "a lot messier." South Korea's crisis is now considered to be on the way to stabilizing, while Indonesia's outlook remains uncertain, the officials said.

Because Indonesia does not have bankruptcy laws similar to those in other countries, it could be difficult to determine who the country's priority creditors were, thus complicating any attempted debt rescheduling, the officials agreed.

Stanley Fischer, the IMF's first deputy managing director, left for Jakarta on Friday, while the IMF's managing director, Michel Camdessus, was

See ULSTER, Page 5

See CRISIS, Page 14

Ulster Aide Appears to Defuse Crisis

By James F. Clarity
New York Times Service

BELFAST — Mo Mowlam, the highest-ranking official in the British province, appeared to have averted an imminent crisis in the Northern Ireland peace effort Friday as she visited a high-security prison and persuaded Protestant paramilitary prisoners not to try to disrupt the formal peace talks, which resume here Monday.

Two hours after her visit, prisoners of a key Protestant guerrilla group, the Ulster Freedom Fighters, said they no longer opposed participation in the talks by their political leaders of the Ulster Democratic Party.

If other Protestant groups, as expected, also agree to attend the talks, a

major setback for the peace effort will have been averted. But officials and experts cautioned that there were likely to be many more political disputes that could disrupt the talks, and lead, as they have in recent weeks, to renewed sectarian violence. Ms. Mowlam spoke to Protestant and Roman Catholic inmates serving sentences for terrorist crimes such as murder and gun-running.

British officials said Ms. Mowlam was the first Northern Ireland secretary to visit with convicted paramilitaries. The visits, lasting a total of an hour and 45 minutes at the Maze prison south of Belfast, were designed to allay the growing fear in this predominantly Protestant province that recent paramilitary violence could

lead to a breakdown of the formal peace talks, and to renewed general violence in the warfare between the majority Protestants and minority Roman Catholics that has killed more than 3,200 people since 1969.

The Protestant prisoners, saying that the Irish Republic and British governments had been making concessions to Sinn Féin, the political wing of the overwhelmingly Catholic Irish Republican Army, had urged their political leaders of the Ulster Democratic and Progressive Unionist parties to boycott the formal peace talks unless the Protestants won some concessions of their own, particularly early releases of prisoners.

See ULSTER, Page 5

A Door Is Opened to Iran

U.S. Proposed Talks After Khatami Inauguration

By Barton Gellman
Washington Post Service

WASHINGTON — The Clinton administration recently proposed to the government of Iran that they open direct talks, conveying the overture in writing by way of a sensitive diplomatic channel reserved previously for pointed warnings and threats, officials report. The proposal, delivered by the Swiss

ambassador, Rudolf Weiersmueller, to the Iranian Foreign Ministry, followed Mohammed Khatami's inauguration as president in August. The officials said it was the first such authorized overture to Iran's ruling clerics and represented U.S. hopes that Iran might be ripe for an opening after 18 years of enmity.

No details were available of the precise date or contents of the letter, directed formally to the Islamic Republic of Iran from the United States of America, and officials familiar with the transaction declined to disclose anything about an Iranian reply, if any.

But officials described Mr. Khatami's call for dialogue, in an interview televised Wednesday evening, as a kind of public answer, far more detailed than anything conveyed secretly and highly encouraging to President Bill Clinton's foreign policy team.

The State Department spokesman, James Rubin, who was chosen to deliver most of the administration's public reaction Thursday, said that Mr. Clinton

See IRAN, Page 5

AGENDA



OUT UNDER FIRE — Barry Switzer, right, resigned as coach of the faltering Dallas Cowboys on Friday. Jerry Jones, left, owner of the National Football League team, did not name a replacement. Page 19.

Iraq Says U.S. Plan Threatens Security

Iraq on Friday described U.S. plans to keep a major military force in the Gulf, as long as Baghdad refuses to fully cooperate with UN weapons inspectors, as a "threat to the security" of Iraq.

The official Iraqi press news agency, INA, quoted a spokesman for the Information Ministry as saying the United States "wanted to create an atmosphere of tension" in the Gulf to provide a "pretext" for its existing forces and to "make more deals to sell American weapons" in the region.

Meanwhile, Iraq's lone representative in the United States is gearing up for another busy season. Page 5.

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Crossword Page 7.
Opinion Page 6.
Sports Pages 18-19.
The Internet Page 4.
The IHT on-line www.ihnt.com

Algerian Toll Includes Logic

By Roger Cohen
New York Times Service

There is an air of gruesome ritual to the Algerian conflict.

Each year, with the onset of Ramadan, the killing intensifies, and with the massacres come unresolved questions about responsibility and an international outcry. But the ritual cannot mask the fact that the war has changed character.

Well-planned attacks against singers,

NEWS ANALYSIS

writers, journalists, diplomats or other representatives of "Western culture" — the favored targets of Islamic guerrillas in the first years of the war — have given way to the seemingly arbitrary butchery of ordinary people, often within a few miles of military installations. During the last week, perhaps as many as 1,000 people have been killed, mainly in the foothills of the Ouarsenis

See ALGERIA, Page 4



Bonn Hails 8-Nation European Pact to Slow Flood of Kurdish Refugees

By John Schmid
International Herald Tribune

FRANKFURT — Germany, where widespread fear of illegal immigration has ignited an election-year uproar, welcomed on Friday an eight-nation European agreement to tighten border controls and stem an exodus of Kurdish refugees from Turkey.

During a symbolic visit to the German border with France, Interior Minister Manfred Kanther said that a "declaration of intent" reached Thursday at a meeting of European police chiefs in Rome was "successful."

In recent days, German border patrols have detained only four Iraqi Kurds on the French-German border, a result that Mr. Kanther called "gratifying."

Following Mr. Kanther's repeated de-

nunciations this week of the border defenses of Italy, Greece and Turkey, his latest comments reflect what diplomats described as a partial de-escalation of a crisis that had threatened to disrupt relations within the European Union and to worsen the EU's relations with Turkey.

Tensions peaked after 1,200 Kurdish refugees arrived on Italy's shores this month. Germany believes most are headed north to its territory, where about a half million Kurds already live.

Germany, which has accepted more Bosnian and Kurdish refugees than all the other European nations combined, balked at what appears to be easy transit routes available to Kurds seeking to escape economic distress and fighting in southeastern Turkey and northern Iraq.

Television images of the boat landings in Italy triggered an outcry from

German politicians against a landmark passport-free travel zone inside the EU. Meanwhile, Italy's ready acceptance of the refugees threatened to undermine EU attempts to forge a common immigration and asylum policy.

Germany took the lead in demanding the meeting in Rome, which included police officials from Italy, Greece, Turkey, and France. As a result of the 10-hour meeting, the officials agreed to step up both border controls within the Union and patrols of coastlines and other external EU borders.

These "useful resolutions" apply in particular to "our Italian and Greek friends," Mr. Kanther said. The police officials also agreed to a wide-ranging exchange of criminal and investigative information to combat what Mr. Kanther has denounced as a "criminal wave of

migration" into Germany and other European countries that offer asylum-seekers generous welfare benefits.

Significantly, Mr. Kanther also gave a strong endorsement to the so-called Schengen treaty, under which border controls are being phased out. German politicians called the Schengen system into doubt last week, with some of them demanding its abolition. Germany, Italy and seven other European Union countries are members of the Schengen group. Greece has adopted the treaty and hopes to become a full member later this year.

"You will not see a blowup of Schengen, I am convinced," Karsten Voigt, the foreign policy spokesman in the Bundestag for the opposition Social Democrats, said Friday.

Leading German politicians have been hammering on immigration themes

before national elections that are scheduled for Sept. 27. Most German politicians agree that the country and its overburdened social welfare system cannot absorb another wave of refugees.

Turkey, whose strained relations with the EU hindered an earlier response to the crisis, took much of the pressure away from the issue with a crackdown by Turkish police on the exodus of Kurdish refugees, diplomats in Bonn and Brussels said.

Turkey's status as an outsider-looking-in was confirmed less than a month ago during an EU summit meeting in Luxembourg when Europe's leaders, led by the German delegation, dropped Turkey to the bottom of the list of candidates for EU membership, deferring its application as it had done several times before.

Complicating one of the most complex and problematic of the EU's foreign relationships, Prime Minister Mesut Yilmaz of Turkey responded by freezing Ankara's official political ties to the Union.

"The latest incident shows how intertwined German and Turkish interests are," said Turkey's ambassador to Bonn, Volkan Vural, defending Turkey's insistence that it belongs in the EU. Referring to the refugee issue, he said: "It shows that Turkey and the EU must act together. They cannot live in isolation."

The West has accused Ankara of human rights abuses and heavy-handed tactics in its 13-year conflict between rebel Kurdish separatists and Turkish troops in southeast Turkey, in which 27,000 people have been killed.

French Jobless Reject Jospin's Measures

By Anne Swardson
Washington Post Service

PARIS — Prime Minister Lionel Jospin, struggling to appease bands of the unemployed who have occupied a handful of benefits offices around France, said Friday that he would create an emergency fund of 1 billion francs to aid the poorest of the jobless.

But he did not accede to the demand that they be paid a year-end bonus of 3,000 francs (\$500) and receive other enhanced welfare benefits on their wish list. Representatives of the several hundred occupiers said that the proposal was not sufficient and that they were not leaving.

The numbers are small and most of France's 600-plus unemployment offices are functioning normally. But the mini-siege is being treated in the media here as a turning point for the Socialist government, which in its first seven months has, until now, escaped virtually all criticism.

Mr. Jospin's Communist allies, with whom he has an informal governing al-

liance, have denounced the "legitimacy" of the occupiers' cause, as has Dominique Voynet, the environment minister and a member of the Green Party.

Mr. Jospin made job creation and employment a pillar of his May campaign. The unemployment rate here is 12.4 percent, and more than one-third of the jobless have been without work for a year or more. France, like many West European countries, is creating almost no new jobs.

About a month ago, small groups of activists began occupying the local unemployment offices, particularly in Marseille and elsewhere in the south. At the peak, some 30 offices were occupied; others closed to keep people out.

Christophe Aguiton, representative of one of the unemployed groups, said, "When we strike at Renault, autoworkers stop making cars." What can an unemployed person do? "He has to occupy."

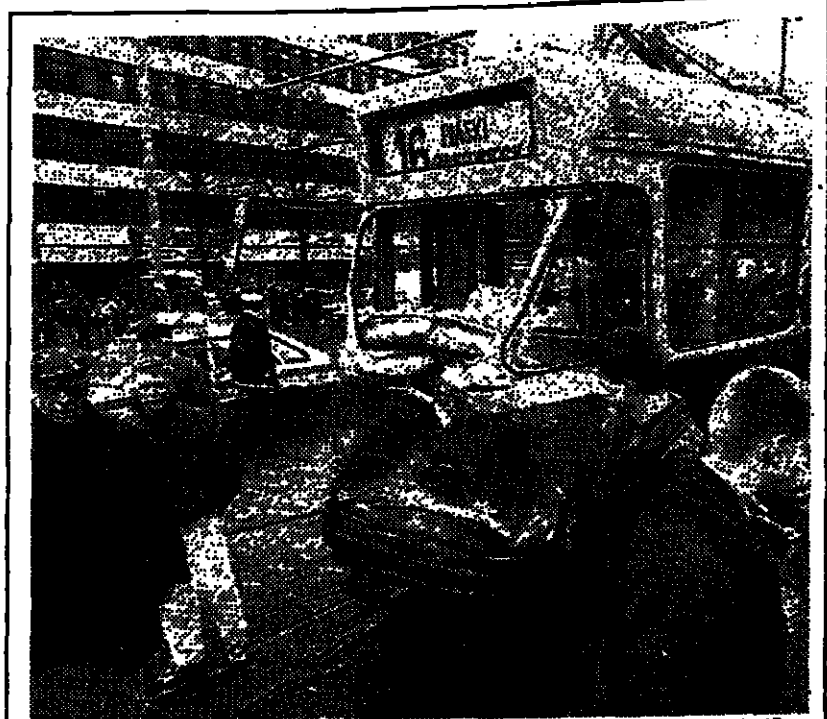
For Mr. Jospin, who was elected in a wave of popular resentment against politicians distant from the people, the takeovers put his Socialist inclinations

against France's fiscal realities. France is under great pressure to keep government spending down in order to stay within the guidelines of the planned European single currency, whose members will be chosen in May. By holding its budget deficit near 3 percent of gross domestic product, France qualifies, but barely.

"No matter the number of people engaged in this movement, I know the weight of unemployment lays on hundreds of thousands of people," Mr. Jospin said in announcing the emergency fund and other anti-poverty measures.

Representatives of the unemployed said they would seek more. The proposals were "interesting but insufficient," said Francois Dessanti. Claire Villiers said "we are extremely disappointed" that there is no measure to raise the minimum of social benefits.

Police have removed occupiers from a few of the offices, but Mr. Jospin, aware of pressure from his leftist allies, is unlikely to undertake massive action to evict everyone.



WARSAW ACCIDENT — People milling around a damaged tram that collided head-on with another on Friday, injuring 12 people.

Poison Linked to Tenerife Suicide Cult

Reuters

SANTA CRUZ DE TENERIFE, Canary Islands — The Spanish police said Friday that they had found poisonous chemicals at the home of an alleged doomsday cult leader that they believe were to be used in a mass suicide by her 32 followers.

A police spokesman, Juan Antonio Perez, said that Heide Fitkau-Garthe, a German psychologist who was arrested in Tenerife on Wednesday when the police said they had foiled the suspected suicide plot, had "brainwashed" her disciples.

"A chemical substance was found at the house, and it seems the group members were going to use it to poison themselves," Mr. Perez said.

The group members planned to kill themselves atop Tenerife's Teide volcano from where they believed their souls would be picked up by a spaceship, officials said.

The sect members, all Germans except for one woman from the Canary Islands, had apparently been convinced

by Ms. Fitkau-Garthe that the world would end on Thursday and that they would be rescued and taken to a new world.

"The minds of the 32 victims have been programmed, they've been brainwashed," Mr. Perez said. "They have to be deprogrammed before they can cooperate with police."

The police arrested Ms. Fitkau-Garthe, 57, who has lived in the Canary Islands for a decade, as the sect gathered to stage a "last supper," officials said. Her followers, who were not detained, have refused to talk to investigators.

Ms. Fitkau-Garthe's legal status was being decided by a Spanish judge, who was weighing whether to keep her in custody by formally charging her with inducement to suicide or whether to place her under psychiatric observation.

Local newspapers said her followers were all from affluent backgrounds, some with university degrees.

Spanish authorities think the group emerged from the Isis Holistic Center in California. It is one of a growing number of what the authorities called "destructive sects" that started to appear in the Canary Islands a year ago.

The group was made up of 14 women, 13 men and 5 children between 4 and 12 years old, the police said.

They had rented cars and intended to drive to the volcano, which is the highest point on Spanish territory, the police said.

Officials said the group's members were still under the influence of the psychologist, who apparently took on a goddess role during sect sessions.

Mr. Perez said Ms. Fitkau-Garthe had charged each member more than 50,000 pesetas (\$325) for each session.

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TRAVEL UPDATE

Tokyo Digs Itself Out

TOKYO (Reuters) — Residents of Tokyo dug themselves out of the worst snowstorm in nearly four years on Friday, after a chaotic night that stranded commuters and left one person dead and nearly 500 injured. The blizzard blanketed Tokyo with 15 centimeters (6 inches) of snow.

Road, rail and air traffic was disrupted and hundreds of thousands of commuters either did not make it home on Thursday or arrived hours late as the snow halted some subway systems.

Zambia Eases Flights

LUSAKA, Zambia (AFP) — Zambian authorities have lifted restrictions on local and international flights that

were imposed after a failed coup in October, newspapers reported Friday.

Following the coup attempt, both international and domestic flights were restricted to the hours between 6 A.M. and 6 P.M.

Bus Strike Hits Paris

PARIS (AFP) — Bus drivers in Paris began an unannounced strike Friday to protest mounting violence after an attack on a driver in the southeastern outskirts of the capital.

Services were mainly disrupted in south and southeast areas as 12 lines did not run, officials reported.

China will erect a millennium countdown clock on the Great Wall near Badaling, a tourist site near Beijing, the state radio said. (Reuters)

U.S. Alerts Citizens Abroad

WASHINGTON — The United States has warned that terrorists might retaliate against Americans because of the sentencing of Ramzi Ahmed Yousef to life in prison for masterminding the bombing of the World Trade Center in New York in 1993.

The State Department said that U.S. government installations abroad had been instructed to review their security precautions.

It also warned U.S. citizens traveling abroad to pay close attention to their personal security in light of the potential threat.

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Europe				Asia			
City	Today	High	Low	City	Today	High	Low
Algeria	15/05	12/03	0/0	Algeria	17/05	14/03	0/0
Amsterdam	12/05	0/0	0/0	Amsterdam	12/05	0/0	0/0
Ankara	20/05	15/03	10/0	Ankara	20/05	15/03	10/0
Athens	18/05	14/03	10/0	Athens	18/05	14/03	10/0
Bangkok	14/05	10/03	0/0	Bangkok	14/05	10/03	0/0
Barcelona	14/05	10/03	0/0	Barcelona	14/05	10/03	0/0
Bombay	14/05	10/03	0/0	Bombay	14/05	10/03	0/0
Buenos Aires	14/05	10/03	0/0	Buenos Aires	14/05	10/03	0/0
Calcutta	14/05	10/03	0/0	Calcutta	14/05	10/03	0/0
Cairo	14/05	10/03	0/0	Cairo	14/05	10/03	0/0
Chennai	14/05	10/03	0/0	Chennai	14/05	10/03	0/0
Columbo	14/05	10/03	0/0	Columbo	14/05	10/03	0/0
Dhaka	14/05	10/03	0/0	Dhaka	14/05	10/03	0/0
Dubai	14/05	10/03	0/0	Dubai	14/05	10/03	0/0
Guangzhou	14/05	10/03	0/0	Guangzhou	14/05	10/03	0/0
Hong Kong	14/05	10/03	0/0	Hong Kong	14/05	10/03	0/0
Kuala Lumpur	14/05	10/03	0/0	Kuala Lumpur	14/05	10/03	0/0
London	14/05	10/03	0/0	London	14/05	10/03	0/0
Los Angeles	14/05	10/03	0/0	Los Angeles	14/05	10/03	0/0
Mumbai	14/05	10/03	0/0	Mumbai	14/05	10/03	0/0
Nairobi	14/05	10/03	0/0	Nairobi	14/05	10/03	0/0
Paris	14/05	10/03	0/0	Paris	14/05	10/03	0/0
Rangoon	14/05	10/03	0/0	Rangoon	14/05	10/03	0/0
Seoul	14/05	10/03	0/0	Seoul	14/05	10/03	0/0
Singapore	14/05	10/03	0/0	Singapore	14/05	10/03	0/0
Taipei	14/05	10/03	0/0	Taipei	14/05	10/03	0/0
Tokyo	14/05	10/03	0/0	Tokyo	14/05	10/03	0/0
Yokohama	14/05	10/03	0/0	Yokohama	14/05	10/03	0/0

Legend: S=sunny, P=partly cloudy, O=cloudy, A=showers, H=heavy rain, W=windy, F=fog, M=mist, L=light rain, T=thunder.

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Australia	1800123844	Belgium	000112880	Brazil	0001128153
Canada	800123874	Denmark	0001128153	France	0001128153
Germany	0001128153	Greece	0001128153	Guatemala	0001128153
Hong Kong	0001128153	India	1771000102	Italy	16778928
Japan	0031128059	Korea	0031116243	Latvia	0001128153
Malaysia	00300784178	Netherlands	0001128153	Norway	0001128153
Portugal	0001128153	Singapore	0001128153	Spain	0001128153
Sweden	0001128153	Switzerland	0001128153	Taiwan	0001128153
Thailand	0018001128153	USA	800945757	UK	0001128153

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Danish Statue Gets Head Back

The Associated Press

COPENHAGEN — The head of the Little Mermaid statue was returned Friday — three days after it was sawed off — by a hooded man who dropped it off at a television station.

Danish television broadcast footage of the man depositing the head. No arrests have been made. The police said they were examining the head for fingerprints.

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JAPAN	¥ 195	75	50%
MALAYSIA	RM 1.00	0.30	50%
NETHERLANDS	fl 0.32	0.10	50%
NORWAY	NOK 11.70	4.00	50%
SINGAPORE	S\$ 1.20	0.40	50%
SPAIN	PTAS 11,700	4,000	50%
SWEDEN	SEK 0.32	0.10	50%
SWITZERLAND	CHF 1.20	0.40	50%
USA	\$ 1.20	0.40</	

An Elaborate Maze Leads to Bhutto Husband's Opulent Estate in England

By John F. Burns
New York Times Service

BROOK, England — When Asif Ali Zardari arrived in this quiet English village as the new owner of the sprawling Rockwood estate, he was so taken with the village pub, the Dog and Pheasant, he told the owner he wanted to buy it.

At the time, October 1995, Mr. Zardari was in an expansive mood. Lawyers working for him had just arranged the \$4 million purchase of Rockwood, with its 355 acres of rolling Surrey countryside. He had ordered a complete renovation of the 1930s mansion, with a budget of \$1.5 million. And he had engaged an English couple with experience as horse breeders to turn Rockwood into a "stud farm," to raise thorough-

breeds and indulge his passion for polo. When Mr. Zardari was told the pub was not for sale, villagers said, he ordered a replica of the bar built in the basement at Rockwood, to go with the mansion's nine bedrooms, indoor swimming pool, 15 acres of gardens and the helicopter landing pad built after he bought the estate from a Hong Kong tycoon.

Although Mr. Zardari made his presence in the village known, nobody in Brook seems to have any certain recollection of having seen Benazir Bhutto, Mr. Zardari's wife, who was the prime minister of Pakistan at the time of the Rockwood purchase.

Pakistani investigators say that in the Rockwood deal, as in the case of at least a dozen other overseas properties to which they have linked to the Bhutto family,

Pakistani Investigators Say Illicit Millions Went to Buy Surrey's Sprawling Rockwood

elaborate steps were taken to disguise the identity of the estate's new owners.

From a search of property records, investigators learned that the estate was bought in three parcels — the house and its gardens, with 104 acres of land (43 hectares), and two adjacent farms with 220 more acres of pasture — by three separate offshore companies based in the Isle of Man, a British-ruled tax haven in the Irish Sea.

When a British newspaper, The Sunday Express, published an article reporting that the couple had bought the estate in June 1996, Miss Bhutto and Mr.

Zardari issued statements saying they knew nothing about Rockwood, and, in Miss Bhutto's case, that she had never been to Surrey.

Mr. Zardari added a touch of outraged social conscience: "How can anyone think of buying a mansion in England when people in Pakistan don't even have a roof over their heads?"

But in an interview in the Karachi prison where he is being held on charges of organizing the murder of Miss Bhutto's brother, Mr. Zardari seemed resigned to acknowledging his ownership of the estate.

His friends said this could be because Rockwood seems less important to Miss Bhutto's husband now that he faces the possibility of a death sentence for his alleged role in planning the police ambush in which Muraza Bhutto, his 42-year-old brother-in-law, was killed on Sept. 20, 1996.

Mr. Zardari said Rockwood was less valuable than the two apartments on Park Lane, one of London's ritziest neighborhoods, that Prime Minister Mir Nawaz Sharif, Miss Bhutto's arch-rival and successor, owns and used on his way back to Pakistan after a recent trip to the United States.

Noting that Mr. Sharif has not denied owning the apartments, Mr. Zardari made a mock offer of a trade: "Those Park Lane flats are worth more than

Rockwood twice over," he said.

In an interview at her home in Karachi, Miss Bhutto said she knew nothing about the Rockwood purchase and suggested that Mr. Zardari might have bought the estate for "some other woman."

"I don't know whether my husband had an affair or not," Miss Bhutto said. She has continued to see her husband in prison and to demand his release. In fact, she visited him only hours before the interview.

"He tells me he didn't. I don't know if he bought Rockwood or did not," she paused, tears in her eyes, and added, "But I think it's absolutely cruel to take people's personal lives and turn them into methods of psychological warfare against a female political opponent."

BHUTTO: Pakistan Chases Millions Down Shadowy Trail of Graft

Continued from Page 1

feebled that she spent much of her time negotiating loans to stave off default on more than \$62 billion in public debt.

A worldwide search for properties secretly bought by the Bhutto family is still in its early stages. But the inquiry has so far found that Mr. Zardari went on a shopping spree in the mid-1990s, purchasing among other things a \$4 million, 355-acre estate south of London. Over eight months in 1994 and 1995, he used a Swiss bank account and an American Express card to buy jewelry worth \$660,000 — including \$246,000 at Cartier Inc. and Bulgari Corp. in Beverly Hills, California, in barely a month.

In separate interviews in Karachi, Miss Bhutto and Mr. Zardari declined to address specific questions about the Pakistani inquiry, which they dismissed as a political vendetta by Miss Bhutto's successor as prime minister, Mian Nawaz Sharif.

In Karachi Central Prison, where he has been held for 14 months on charges of murdering Miss Bhutto's brother, Mr. Zardari described the corruption allegations as part of a "meaningless game." But he offered no challenge to the authenticity of the documents tracing some of his most lucrative deals.

Miss Bhutto originally kindled wild enthusiasms in Pakistan with her populist brand of politics, then suffered a heavy loss of support as the corruption allegations against her and her husband gained credence. In an interview at her fortress-like home set back from Karachi's Arabian Sea beachfront, she was by turns tearful and defiant.

"Most of those documents are fabricated," she said, "and the stories that have been spun around them are absolutely wrong."

But she refused to discuss any of the specific deals outlined in the documents, and did not explain how her husband had paid for his property and jewelry. Lamenting what she described as "the irreparable damage done to my standing in the world" by the corruption inquiry, she said her family had inherited wealth, although not on the scale implied by tales of huge bank deposits and luxury properties overseas.

"I mean, what is poor and what is rich?" Miss Bhutto asked. "If you mean, am I rich by European standards, do I have a billion dollars, or even a hundred million dollars, even half that, no, I do not. But if you mean that I'm ordinary rich, yes, my father had three children studying at Harvard as undergraduates at the same time. But this wealth never meant anything to my brothers or me."

Miss Bhutto, a student at Harvard and Oxford universities for six years in the 1970s, has been a vocal critic of "avaricious politicians." In a Harvard commencement speech in 1989, she said that

such people had looted developing countries and left them without the means to tackle their social problems. Since she was ousted as prime minister during her second term, on Nov. 5, 1996, on charges that included gross corruption, she has been the leader of Pakistan's main opposition group, the Pakistan People's Party.

Some details of the allegations against Miss Bhutto and Mr. Zardari appeared in European and American newspapers last fall, after Pakistani investigators began releasing some of the Bhutto family documents.

But a much fuller picture emerged when several thick binders full of documents were made available to The New York Times over a period of several days in October. The Times's own investigation, lasting three months, extended from Pakistan to the Middle East, Europe

Europe for more than 20 years, and as a close friend.

Pakistani investigators have confirmed that the original asking price for the documents was \$10 million. Eventually the seller traveled to London and concluded the deal for \$1 million in cash.

The identity of the seller remains a mystery. Mr. Schlegelmilch, in a series of telephone interviews, declined to say anything about Mr. Zardari and Miss Bhutto, other than that he had not sold the documents. "It wouldn't be worth selling out for \$1 million," he said.

The documents included statements for several bank accounts, including the Citibank accounts in Dubai and Geneva; letters from executives promising payoffs, with details of the percentage payments to be made; memorandums detailing meetings at which these "commissions" and "remunerations" were agreed on, and certificates incorporating the offshore companies used as fronts in the deals, many registered in the British Virgin Islands.

The documents also revealed the crucial role played by Western institutions. Apart from the companies that made payoffs, and the network of banks that handled the money — which included Barclay's Bank and Union Bank of Switzerland as well as Citibank — the arrangements made by the Bhutto family for their wealth relied on Western property companies. Western lawyers and a network of Western friends.

As striking as some of the payoff deals was the clinical way in which top Western executives concluded them. The documents showed painstaking negotiations over the payoffs, followed by secret contracts.

In one case, involving Dassault, the contract specified elaborate arrangements that were intended to hide the proposed payoff for triggering French corruption laws.

Because Pakistan's efforts to uncover the deals have been handled in recent months by close aides of Prime Minister Sharif, who has alternated with Miss Bhutto at the head of four civilian governments since the end of military rule 10 years ago, the investigation has been deeply politicized. Last week, the Sharif aides forwarded 12 corruption cases against Miss Bhutto, Mr. Zardari and Nusrat Bhutto to the country's "accountability commission," headed by a retired judge with the power to approve formal indictments.

Apart from bolstering Mr. Sharif's power by exposing Miss Bhutto and her family, his aides hope to protect him against the possibility that she will return to office and turn the tables on him.

During Miss Bhutto's tenure, Mr. Sharif battled for years against a range of

The Gold Connection

Pakistan's Arabian Sea coast has long been a gold smugglers' haven. Shortly after Benazir Bhutto began her second term as prime minister in October 1993, a Dubai-based bullion trader, Abdul Razzaq Yaqub, proposed that the government begin to regulate the trade by granting him an import license. Documents obtained by The New York Times show the following sequence.

- 1. JAN. 5, 1994 Capricorn Trading, a company controlled by Asif Ali Zardari, Miss Bhutto's husband, is incorporated in the British Virgin Islands.
- 2. EARLY 1994 Abdul Razzaq Yaqub, a Pakistani bullion trader in Dubai, offers to help Pakistan's government regulate the gold trade in return for an exclusive gold import license.
- 3. OCT. 5, 1994 An account in the name of Capricorn Trading is opened at Citibank's main branch in Dubai. In the next 17 days, Citibank documents show, Razzaq's company, ARY Traders, deposits \$10 million in the Capricorn account.
- 4. DEC. 13, 1994 The Bhutto government approves Razzaq's bid for a gold import license. He ships more than \$500 million in gold into Pakistan over the next three years.
- 5. MARCH-MAY 1995 More than \$18 million is transferred from the account in Dubai to another Citibank account in Geneva, also in the name of Capricorn.



Trading. In the following months, short-term transfers are made between the Geneva account and Citibank subsidiaries in the Channel Islands, earning tens of thousands of dollars in interest.

NOVEMBER 1997 Razzaq denies making payments to Zardari.



THE TRADER Abdul Razzaq Yaqub in November 1997.

The New York Times

corruption charges, including allegations that he took millions of dollars in unsecured loans from state-owned banks for his family's steel empire, then defaulted.

The Bhuttos are among a few hundred so-called feudal families, mostly large landowners, who have dominated politics and business in Pakistan since its creation in 1947.

Miss Bhutto's father was an Oxford-educated landowner who became Pakistan's prime minister in the 1970s, only to be ousted and jailed in 1977 when his military chief, General Mohammed Zia ul-Haq, mounted a coup. Mr. Bhutto was hanged two years later, after he refused General Zia's offer of clemency for a murder conviction that many Pakistanis regarded as politically tainted.

Miss Bhutto, the eldest of four children, spent the next decade under house arrest, in jail or in self-imposed exile, campaigning against General Zia's military regime.

In 1987 she married Mr. Zardari, little known then for anything but a passion for polo. It was an arranged union, with Miss Bhutto's mother picking the groom. Many Pakistanis were startled by the social and financial differences. By the Bhuttos' standards, Mr. Zardari's family was of modest means, with limited holdings and a rundown movie theater in Karachi. His only experience of higher education was a stint at a commercial college in London.

In part the match was intended to protect Miss Bhutto's political career by countering conservative Muslims' complaints about her unmarried status. Barely eight months later, in 1988, General Zia was killed in a mysterious plane crash, which opened the way for Miss Bhutto to win a narrow election victory.

Years later, many Pakistanis still speak of the mesmerizing effect she had at that moment, as the daughter who had avenged her father and the politician who had restored democracy. But euphoria faded fast. Within months, newspapers were headlining allegations of dubious deals. In the bazaars, traders soon dubbed her husband "Mr. 10 Percent."

After 20 months in office she was dismissed by the president for corruption and misrule. When she became prime minister again, after a victory in 1993, Miss Bhutto struck many of her friends as a changed person, obsessed with her dismissal in 1990, high-handed to the point of arrogance and contemptuous of the liberal principles she had placed at the center of her politics in the 1980s.

Miss Bhutto's twin posts, as prime minister and finance minister, gave her virtually free rein. Mr. Zardari became her alter ego, riding roughshod over the bureaucracy although he had no formal economic powers until Miss Bhutto appointed him investment minister, reporting only to herself, in July 1996.

The investigators say that Mr. Zardari and associates he brought into the government, some of them old school friends, began reviewing state programs for opportunities to make money. It was these broader activities, the investigators assert, more than the relatively small number of foreign deals revealed in the documents taken from the Swiss lawyer, that netted the largest sums for the Bhutto family.

Among the transactions Mr. Zardari exploited, according to these officials: defense contracts, power plant projects, the privatization of state-owned industries, the awarding of broadcast licenses, the granting of an export monopoly for the huge rice harvest, the purchase of planes for Pakistan International Air-

lines, the assignment of textile export quotas, the granting of oil and gas permits, authorizations to build sugar mills and the sale of government lands.

Before Mr. Sharif won a landslide election victory in February last year, the corruption inquiry appeared, again, to fizzle. But a few days before the election, the caretaker government hired Jules Kroll Associates, a New York investigative agency, to look for evidence of corruption abroad. The Kroll investigators put out feelers in Europe. Mr. Sharif's aides said it was one of these that produced the offer to sell the Bhutto family documents, and they took over from Kroll Associates and completed the deal.

Potentially the most lucrative deal uncovered by the documents involved the effort by Dassault Aviation, the French military contractor, to sell Pakistan 32 Mirage 2000-5 fighter planes.

In April 1995, Dassault found itself in arm's-length negotiations with Mr. Zardari and Amer Lodhi, a lawyer and banker in Paris who had lived for years in the United States, working among other things as an executive of the defunct Bank of Commerce and Credit International.

Mr. Schlegelmilch, the Geneva lawyer, wrote a memo for his files describing his talks at Dassault's headquarters on the Champs-Élysées in Paris. According to the memo, the company's executives offered a "remuneration" of 5 percent to Marleton Business SA, an offshore company controlled by Mr. Zardari. The memo indicated that in addition to Dassault, the payoff would be made by two companies involved in the manufacture of the Mirages: Snecma, an engine manufacturer, and Thomson-CSF, a maker of aviation electronics.

The documents offered intriguing insights into the anxieties that the deal aroused. In a letter faxed to Geneva, two Dassault executives — Jean-Claude Carayrou, director of legal affairs, and Pierre Chouzenoux, international sales manager — wrote that "for reasons of confidentiality," there would be only one copy of the contract guaranteeing the payoff. It would be kept at Dassault's office in Paris, available to Mr. Schlegelmilch only during working hours.

The deal reached with Mr. Schlegelmilch reflected concerns about French corruption laws, which forbid bribery of French officials but permit payoffs to foreign officials, and even make the payoffs tax-deductible in France.

Negotiations on the Mirage contract were within weeks of completion in 1996 when Miss Bhutto was dismissed by another Pakistani president.

A Dassault spokesman, Jean-Pierre Robillard, said Mr. Carayrou, the legal affairs director, had retired. Two weeks after he was sent a summary of the documents, Mr. Robillard said that the company had decided to make no comment.

Some of Miss Bhutto's friends say she cannot fairly be held accountable for her husband's questionable deals, since she was too busy as prime minister to know of them.

Others say Miss Bhutto, having lost her father and both of her brothers in tragic circumstances, became so dependent emotionally on Mr. Zardari, with whom she has three children, that she told friends she found it impossible to rein him in.

Her younger brother, Shahnawaz, died of poisoning in Cannes in 1985 after a dispute that Muraza Bhutto, her older brother, linked to arguments over family assets stashed in Switzerland. Muraza Bhutto was killed by a police hit squad in Karachi in September 1986, after a long power struggle with his sister and her husband, Mr. Zardari. He has been charged with masterminding the second murder, but he and Miss Bhutto say he was framed by their political enemies.

In the Karachi interview, she said her husband's deals had been made only for Pakistan's benefit. "He's a very generous person," she said. "His weakness and his strength, is that he's always trying to help people."

ALGERIA: Changing Its Character, Bloodbath Now Defies Logic

Continued from Page 1

mountains in the Relizane region, about 240 kilometers (150 miles) southwest of Algiers. That is already more than the estimated 400 people slain during Ramadan last year, many of them in car-bomb attacks in Algiers.

When the killing that the Algerian government calls "terrorism" was aimed at representatives of the country's secular culture, it was barbaric but at least understandable: In the logic of the jihad, or holy war, the killer secured his own salvation by eliminating the "impure."

But as the terrorism has gained all the appearances of complete arbitrariness, losing any military or moral logic, it has appeared to serve only the causes of instability and murkiness.

That state of affairs has left many Western diplomats wondering whether the military-backed government might see some benefits in the attacks, because chronic insecurity ensures that any real democratic opening is stillborn.

Such suspicions have been fueled because some of the attacks, as at Rais last year, have continued for several hours without any intervention by the army or the police.

The Algerian conflict has, in the end, served to reinforce a government whose days seemed numbered in the late 1980s. If the Islamic guerrilla movement that emerged after canceled elections in early 1992 once seemed to threaten the military authorities who have governed Algeria since it gained independence in 1962, it now appears too splintered and wayward to pose any coherent military threat, Western analysts say.

The question then arises why the government has proved unable to curtail, explain or even identify what appear to be increasingly random acts of violence. France, voicing the suspicions of many observers, appeared to hint this week that the answer may simply lie in a lack of will.

"France believes in the legitimate right of the Algerian population to be protected," the government said. "The duty of every government is to permit its

citizens to live in peace and security."

By the pale standards of diplomacy in the Algerian conflict, this was a remarkably pugnacious statement from France about its former colony and it provoked predictable outrage from President Liamine Zouari's government in Algiers. Responding to France, and to U.S. calls for an international inquiry, the government said, "Algeria, the sovereign state, renews its categorical rejection of any attempt to interfere in its internal affairs."

It added that attempts to start an inquiry were "aimed at planting doubt regarding the source of terrorism" and were "absolutely rejected."

Whatever their misgivings, Western governments have acquiesced in Algeria's agony for several reasons. The conflict has not, as was once feared, seeped into Morocco or Tunisia, where ripples of Islamic extremism have been quickly suppressed. Nor, as once seemed possible, has it spilled over into France, where the police have proved effective in quashing violent groups linked to the Islamic Salvation Front.

Moreover, although unemployment is high and economic opportunity for the young is scant, a lot of money is being made in Algeria's oil and gas fields, where there are important French and U.S. interests. The government has successfully kept the conflict out of the southern desert areas where oil and gas are extracted.

Western governments, fearing a wider instability that could send waves of immigrants over the Mediterranean into Europe, have thus preferred caution. It seems unlikely that a planned mission by the European Union to Algeria would, if it is allowed into the country, lead to a change in this approach.

The caution, it seems, is justified. Algeria lacks cohesion. A brutal war of independence against France in which more than a million people died left deep scars on a society whose ethnic and cultural unity is frail, buffeted by French colonial, Arab and Berber influences and weakened by the failure of an almost 30-year experiment with Marxist economics.

Against this backdrop, the soldiers who fought for Algerian independence and

then formed or backed the governments that have ruled since have favored a secretive and authoritarian system recalling something of the revolutionary cell that was at the heart of the struggle against France.

Rather than seeking to clarify the current conflict, the authorities have thus tended to thrive on its opaqueness, falling back on repeated calls for unity against "terrorists" whose identity is seldom specified and on exhortations to support Algerian "sovereignty."

Algeria's authorities, linking military and business interests and known broadly as *Le Pouvoir* or "The Power," appeared to have collapsed in the late 1980s, when economic disaster, internal struggles and a broad push for democracy caused the unraveling of the governing party and the emergence of the Islamic Salvation Front. Briefly, Algeria seemed to toy with a real democracy.

But the army's cancellation of elections that appeared certain to bring the Islamic Salvation Front to power and the subsequent emergence of a savage guerrilla movement that seemed intent on extinguishing all that smacked of Western influence and tolerance in Algeria ended the experiment.

The now banned Islamic Salvation Front has since lost its mass following. While its armed wing, the Islamic Salvation Army, has called for a cease-fire, the hard-line Armed Islamic Group has vowed to fight on.

But the Armed Islamic Group's leadership is split, and its will or ability to hit meaningful targets is apparently limited. The army, often using scorched-earth tactics, has proved effective in eliminating any serious threat to the regime.

Now the army remains at the heart of Algerian power. Despite the emergence of a veneer of democratic institutions, there appears to be no doubt that the military has gained a new lease on life through an undeclared war that may have left as many as 80,000 dead.

Whoever is killing the people in the Relizane region, and whatever their motive, that is the political and military reality of Algeria.

BRIEFLY

Midday Explosion Rocks New Delhi

NEW DELHI — A bomb exploded in the midst of a lunchtime crowd just 100 meters from the New Delhi police chief's office on Friday, wounding 48 people and sending bloodied office workers running in terror.

The blast, the first in India's capital this year, followed a series of bombings last year that killed nine people and wounded 240. No arrests have been made in those blasts and no one has claimed responsibility. No one claimed responsibility for Friday's bombing.

India is fighting secessionist movements on several fronts, including a rebellion by Muslims in the disputed territory of Kashmir.

The Indian government accuses neighboring Pakistan of fomenting the violence on its frontiers. Kashmir is India's only predominantly Muslim state.

Gun-Carrying Ban In the Philippines

MANILA — Gun owners in the Philippines will be forbidden to carry their weapons in public when campaigning for presidential elections officially begins Sunday, a police official said Friday.

Jaime Lasar, head of the firearms and explosives division of the Philippine National Police, said that people who wanted to bring a licensed firearm out of their residence had to secure an exemption from the Commission on Elections.

The elections, set for May 11, will be for the presidency, the House of Representatives and half the Senate as well as for provincial

governors, mayors and other local posts. Police said about 300,000 civilians owned guns at the end of 1996.

A Clash in Quito Over Transit Prices

QUITO, Ecuador — Riot police surrounded the presidential palace in Quito and lobbed tear gas at 500 students and workers protesting an increase in the prices of gas and public transportation.

Parade demonstrations were held throughout the country on Thursday, and students in Guayaquil, Ecuador's principal port city, threw rocks and broke car windows. Burning fires were also set up to snarl highways entering the city.

6 Are Executed In Shanghai

BEIJING — Six criminals were put to death as part of a crackdown on crime in Shanghai, the official Liberation Daily reported.

The Nos. 1 and 2 Intermediate People's Courts in Shanghai announced the death sentences at public rallies on Thursday, and the six were immediately taken to the execution grounds and shot, the newspaper said.

Two of the executed, Sun Xinhe and Wang Dengyou, robbed taxi drivers of 2,350 yuan (\$280) in six heists during the first four months of 1996, the newspaper said. Another, Xu Yajun, fatally beat a motorcycle driver after robbing him of 100 yuan. Details of the others' crimes were not given. China launched a nationwide anti-crime crusade 20 months ago and severity was encouraged.

Iraq's Man at the UN: At Home in a Hostile Country

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — Nizar Hamdoun, the voice of Iraq in the United States, is relishing a little downtime between crises. He does not expect the lull to last long, perhaps two more weeks.

Mr. Hamdoun, Iraq's representative at the United Nations, has some 15 years experience in managing crises with Americans, who regularly denounce his government but cannot seem to help marveling at his diplomatic skills. They also marvel at his longevity in the service of President Saddam Hussein, a leader not known for liking bad news.

Mr. Hamdoun is the only high-ranking Iraqi diplomat permitted to work in the United States — but only in New York — and American officials are not allowed to deal directly with him. Relations between the two countries were ruptured before the Gulf War. But Mr. Hamdoun has numerous American friends no longer in government who stay in touch. They knew him when he was Iraq's ambassador in Washington during another difficult time, in the 1980s. His dinner parties were famous.

"He was one of the most effective ambassadors the Arabs have sent to the United

States," said Phébé Marr, a former senior fellow at the National Defense University. "He developed a very astute understanding of the American system and how it operates."

Now, with Baghdad's arch-enemy, Iran, making overtures to Washington, and an American fleet within striking distance of Iraq, Mr. Hamdoun is gearing up for another busy season.

On Jan. 19, Richard Butler, the head of the UN commission charged with disarming Iraq, will make another trip to Baghdad to press for access to suspected biological, chemical, and other weapons sites that the Iraqis have declared off-limits. The Iraqis will try again to convince him that they have nothing to hide.

Mr. Hamdoun says Baghdad is on stronger diplomatic ground than it has been for a long time, despite having to back down in November in its efforts to bar Americans from UN inspection teams, and does not want any more delays. A full-fledged review of the sanctions is not due until April.

"I think that we are running out of time," Mr. Hamdoun said in a conversation at his office, without suggesting what Iraq might do beyond "weighing options" if Mr. Butler's mission fails. But he said Washington moved quickly "only in times of trauma."

"I don't see any change in American policy

unless the pressure mounts," he added.

Mr. Hamdoun, 53, went to an American Jesuit high school in Baghdad and studied architecture and town planning at Baghdad University. He joined the air force and served more than a decade in the National Command of the Ba'ath Party of Mr. Saddam before he was first sent to Washington in 1983.

Iraq was bogged down then in a war with Iran and needed friends.

Mr. Hamdoun set out methodically to figure out how to get things done.

"This country is like a big machine, with hundreds of bolts and nuts and wheels," he said, "and you have to lubricate every part of it in order for the machine to work the way you want." That meant hours spent with bureaucrats as well as high-ranking officials, and trips to campuses and business associations all over America.

Mr. Hamdoun is one of a group of Iraqi diplomats and officials regarded as "able men" asked to represent one of the great moral monsters of our time, "a former member of Congress said this week."

In Washington, people who have known Mr. Hamdoun for years frequently ask how, after the 1991 war and what it revealed of Mr. Saddam's destructive arsenal and willingness to use it, he can go on "flacking for a cynical

and corrupt Mesopotamian megalomaniac," in the words of one politician.

Mr. Hamdoun, known for conveying back to Baghdad the stark reality of the Iraqi position here, said that providing an accurate picture for his government was as important as reflecting its leadership's policy here, even if he does not agree with all of it.

In diplomacy, he said, "you have to defend a policy whether you agree with it or don't agree with it on certain points."

Aircraft Carriers to Stay in the Gulf

The United States will keep nearly 30,000 troops and two aircraft carrier battle groups in the Gulf as a warning to Mr. Saddam that military action remains an option if he does not cooperate with UN weapons inspectors, The Washington Post reported, citing a Pentagon spokesman.

One of the two carriers now in the gulf, the Nimitz, is scheduled to return to a new home port in Norfolk, Virginia, in early March. Sources said it would be replaced by the carrier Independence, now stationed off Japan.

Meanwhile, U.S. diplomats have been trying to secure promises from Russia and France that if the United States decided to take military action against Iraq, neither country would publicly undercut the move.



Nizar Hamdoun, Iraq's representative to the UN, holding a football signed by the New York Giants.

Clinton Envoy Seeks Formula To Stimulate Mideast Talks

By Serge Schmemmann
New York Times Service

JERUSALEM — The U.S. mediator for the Middle East, Dennis Ross, shuttled between Israeli and Palestinian politicians for a fourth day Friday in search of a new formula to bridge the steadily widening gap between them and enable negotiations to resume.

Mr. Ross gave no indication of his progress. But in the highly charged political air since the resignation of the Israeli foreign minister, David Levy, at the start of the week, newspapers were filled with speculation and anonymous reports.

The central question among Israelis, and probably for Mr. Ross, is whether Prime Minister Benjamin Netanyahu's government is capable of surviving any decision. Mr. Levy's defection has left Mr. Netanyahu with a scant 61-to-59 edge in Parliament, and ministers on both sides of the debate have vowed to bring the government down if it either cedes land, or fails to.

On the left, Defense Minister Yitzhak Mordechai, a moderate in the cabinet, said in an interview this week that he would resign if Israel made no withdrawal in the next three months.

On the right, Rehavam Zeevi, chairman of the ultra-nationalist Moledet party, told the prime minister: "Let me tell you where we stand: We will vote no-confidence the moment the cabinet decides on the substance of the redeployment, on percentages or on a timetable."

Mr. Ross's problem is that the United States has repeatedly bowed before the argument that Mr. Netanyahu is hamstrung by his unstable government. This time, U.S. officials said Washington would insist that Israel live up to its obligations to make further withdrawals, or redeployments, in the West Bank.

At the core of the current debate is Israel's obligation to make three additional withdrawals even before a final settlement is reached. Mr. Netanyahu pledged to do so a year ago, but his proposal for a marginal first withdrawal was rejected by the Palestinians.

The United States now insists that Mr. Netanyahu make a "credible" second redeployment, which means more than 10 percent of the West Bank. The prime minister has reportedly told the Americans that he will do this if the Palestinians agree to forgo a third redeployment and enter immediately into final-settlement talks. The Palestinians reject this notion out of hand.

According to officials who have met with Mr. Ross, the mediator has tried to shape a package that would impose strict security conditions on the Palestinians in exchange for credible withdrawals.

But an initial agreement mediated by both Israeli and Palestinian security chiefs, was thrown out by Mr. Netanyahu, reportedly because it drew a parallel between Palestinian and Jewish militants.



Children enjoying a game of soccer on a street in Tehran, which awoke Friday to its heaviest snowfall in years.

Sir Michael Tippett, British Composer, Dies

The Associated Press

LONDON — Sir Michael Tippett, 93, a composer of limitless vision and inventiveness who was ranked as one of Britain's most important contemporary musical talents, has died.

Mr. Tippett died peacefully at his home in London on Thursday after suffering from pneumonia for two months, Melvyn Bowen, his manager and biographer, announced Friday.

His works, including opera, choral, orchestral, chamber and piano music, fused strong rhythms, jazz, spirituals, madrigal-like counterpoint and imaginative new sounds, like the wind machine

that ends his Fourth Symphony.

"In my opinion, he was the greatest living composer — definitely in this country, but across the world I don't think there was anyone who matched his status," said a fellow composer, David Matthews.

Mr. Tippett confronted social issues squarely. A homosexual, he composed a love scene between two men for his third opera, "The Knot Garden," which had its premiere in 1969. His fourth, "The Ice Break" in 1975, featured a race riot and a psychedelic sequence.

The oratorio "Vision of St. Augustine," highly experimental and de-

manding, was regarded by some critics as his masterpiece.

Kenichi Fukui, Nobel Laureate

TOKYO (AP) — The only Japanese to win the Nobel Prize in chemistry, Kenichi Fukui, 79, died of cancer Friday.

Mr. Fukui, a professor emeritus at Kyoto University, received the prize in 1981 for a theory that helped more clearly explain the course of chemical reactions. His ideas were the basis for many discoveries and were used by pharmaceutical companies in developing new drugs.

Tests Indicate Avian Flu Isn't Spread by People

The Associated Press

ATLANTA — Early tests indicate that the avian flu that has sickened 16 people and killed 4 in Hong Kong is not spreading from person to person, U.S. health officials said. But they will not rule it out.

"Some of our guesses are getting confirmed," said Dr. Rima Khabbazz, a viral disease expert at the Centers for Disease Control and Prevention in Atlanta. "But things may change, and we still cannot rule out human-to-human transmission."

Test results from the first seven people stricken with the type A influenza virus known as H5N1 show at least two different strains of the virus sickened them — a sign that each victim contracted the virus not from another person but from a chicken.

"If you look at seven people and they all had the same exact virus, that would suggest that there was person-to-person transmission," Dr. Khabbazz said. "The fact that we are seeing more than one strengthens the conclusion that primarily what is happening is transmission from poultry to people."

The centers in Atlanta also said there was a low rate of avian flu among family members and others who have had contact with the sick. No new cases have been reported since Dec. 28 — the same day that Hong Kong officials began the slaughter of all chickens there.

The centers noted, however, that a health worker had contracted the flu after caring for the first victim, a boy who died. The worker had not been exposed to chickens.

Compensation Fund Approved

Hong Kong legislators approved a \$97 million compensation package Friday for Hong Kong's poultry industry, The Associated Press reported.

Farmers, vendors and poultry truckers will receive \$13.3 million to cover direct losses, and \$83.3 million in low-interest loans to maintain or restart businesses. They can receive the grants as early as next week, said Leslie Wei, director of the Agriculture and Fisheries Department.

U.S. Balloonists Check Out of Their 'Hilton'

The Associated Press

ALBUQUERQUE, New Mexico — Two balloonists who had hoped for an around-the-world flight abandoned the trip Friday just 100 miles (160 kilometers) from where they had taken off, parachuting to safety after discovering a major failure.

Dick Rutan and Dave Melton were in good condition after landing 11 miles southeast of the town of Vaughn, the state police said. One of them may have suffered a broken leg.

"We had a serious failure," Mr. Rutan told KOB-TV in Albuquerque. He said they had opened a gas valve before parachuting so that helium

would seep out and the balloon, called Global Hilton, would descend.

The men decided to abort the flight after discovering a rip in the helium cell, which lifts the balloon, said Patrick Barry, a spokesman for the team. He did not know the cause of the rip.

It was unclear why the two men had to abandon the balloon rather than ride it to the ground. The balloon continued to fly at 11,000 to 15,000 feet (3,350 to 4,600 meters) and was descending slowly, said Steve Shope, project manager for the team. He said he expected it to land in an unpopulated area.

ULSTER: Prisoners Appear Placated

Continued from Page 1

Last month, the Irish Republic government released early nine prisoners who had been serving terrorism-related sentences.

Ms. Mowlam said she had made no promises of early release for Protestant prisoners and that releases could only be discussed at the formal talks.

The prison, with about 600 paramilitary inmates, who consider themselves political prisoners or prisoners of war, is where the latest round of violence began, two weeks ago, with the killing of a Protestant paramilitary leader, Billy (King Rat) Wright. A member of the Loyalist Volunteer Force, a splinter group not represented at the peace talks, Mr. Wright was killed by inmates belonging to a Catholic splinter party, the Irish National Liberation Army, which had broken away from the IRA.

The Catholics surrendered to prison officers and are expected to be charged with murder. In Protestant reprisals in the following week, two Catholic men were killed in Belfast. This raised fears that the talks would collapse and the violence spread across Northern Ireland and even south to the Irish Republic.

The small, but essential, Protestant political parties with links to paramilitaries then threatened to boycott the formal talks that are to restart on Monday under the chairmanship of a former U.S. senator, George Mitchell.

The IRA and many of those sup-

porting its campaign of violence are represented at the talks by Sinn Féin; mainstream Catholics are represented by the Social Democratic and Labor Party of John Hume.

The principal Protestant party, the Ulster Unionists, and the smaller Protestant paramilitary parties, the Ulster Democratic Party and the Progressive Unionist Party, are also at the talks, as are officials of the British and Irish Republic governments.

The hard-line Democratic Unionist Party of the Reverend Ian Paisley is boycotting the talks, calling them a device to allow for the creation of a united Ireland run from Dublin.

Under the rules of the talks, agreement may only be reached by "sufficient consensus," a weighted majority on each side, Protestant and Catholic, of the negotiating table. This means that the larger Ulster Unionist Party needs agreement with at least one of the smaller Protestant paramilitary parties on its own side to validate any final peace agreement.

Thus, a pullout by smaller Protestant parties would thwart the talks and jeopardize a settlement. The chief Protestant paramilitary complaint has been that the London and Dublin governments have been making decisions that favor Sinn Féin and the IRA, particularly on the early release of prisoners.

Before Christmas, the Dublin government released early from an Irish prison nine inmates convicted of terrorist acts in the IRA campaign to force Britain

IRAN: U.S. Proposed Talks to Khatami

Continued from Page 1

and his advisers "appreciated the spirit" of the 45-minute interview with Cable News Network and then called attention to what U.S. analysts identified privately as the most promising line in the Iranian president's remarks.

"We also noted the president's comments that the conduct of relations between nations must be based on mutual respect and dignity," Mr. Rubin said. "We agree."

That apparently bland observation referred to Mr. Khatami's only direct reference to negotiations with the U.S. government during an interview replete with references to "thoughtful dialogue" with "the great people of the United States."

"There is a grave mistrust between us," Mr. Khatami said Wednesday. "If negotiations are not based on mutual respect, they will never lead to positive results."

Though couched in the negative, that comment was seen in the administration as a strongly hopeful sign. Advisers on Middle East policy dismissed reports that the administration was disappointed by Mr. Khatami's remarks, citing attacks on him by the conservative Iran News and Kayhan newspapers as evidence that he had extended as strong an overture as he dared.

"When he says he regrets the hostage-taking and talks about America as a great civilization, and these things get criticized in Iran, it is an indication to us that he is interested in breaking down this distrust, finding a way to engage with us," a senior foreign policy official said.

Mr. Rubin, after taking mild exception to some of Mr. Khatami's sharper attacks on U.S. government policies and on Israel, said: "We will look closely and take a serious look at what President Khatami has said regarding people-to-people exchanges and the people-to-people dialogue. However, we believe the best way to address our bilateral differences would be to engage in a government-to-government dialogue."

There have been limited diplomatic contacts before with postrevolutionary Iran, direct and indirect.

Iranian officials sit with Americans, represented on occasion by Assistant Secretary of State Karl Inderfurth, on a United Nations panel monitoring a cease-fire in Afghanistan. The two nations also have reached modest accords on compensation for the downing of an Iranian airliner by the cruiser Vincennes in 1988, which killed 290 civilians, and on some aspects of their financial dispute before the International Court of Justice at The Hague.

Senior Middle East analysts and policymakers said, however, that the United States had not previously sought negotiations on the full range of issues dividing Washington and Tehran. It tapped Mr. Weismueller, a 58-year-old career diplomat, to carry the letter to Iran because Switzerland is the "protecting power" for American interests in Iran.

The United States severed relations after student radicals stormed the U.S.

Embassy in Tehran in 1979, and held 52 hostages for 444 days.

Mr. Weismueller, who has been the Swiss ambassador in Tehran since 1993, makes annual trips to Washington for consultations on his intermediary role. The last such trip was in April, when he met acting Assistant Secretary of State David Welch and other officials.

"The Swiss do things in a very correct, objective, no-body-language fashion," said a former official involved in relations with Iran.

"We used the protecting power channel only rarely, when we thought there was a matter of such importance that something needed to be said to the Iranians about it, and usually the tone was very tough and uncompromising," the official said, adding that the subjects were generally specific Iranian threats to American interests.

As for the Iranian replies, the official said, "Let's just say they didn't show much daylight."

Elected in May, Mr. Khatami was widely seen as a domestic reformer, but was not expected to move quickly toward any change in the relationship with the United States. But on Dec. 1-4, described as "an important initiative" by a top U.S. policymaker, he signaled his intentions to "the great American people."

Germany Cheers the Change

Germany and its partners in the European Union want to make a "new beginning" with Iran this year, Foreign Minister Klaus Kinkel said Friday. The Associated Press reported from Berlin.

"This will take time because we want to have a substantial dialogue with Iran, including critical topics," Mr. Kinkel said. He did not elaborate, but appeared to be referring to allegations that Iran is a sponsor of terrorism, which Tehran denies.

Still, he welcomed the recent developments in U.S.-Iranian relations.

Iran's ties with Europe saw their worst crisis in some time when a German court last April implicated Iran's top leaders in the 1992 assassination of Kurdish-Iranian dissidents in Berlin.

The 15 EU nations withdrew their ambassadors after the ruling. They returned in November after Germany agreed that its envoy would return a few days after most of the others.

JOBS: Kohl Drops Pledge

Continued from Page 1

Blum, has lashed out at German industry in recent days.

"A turnaround in the labor market is nowhere to be seen," said Oskar Lafontaine, head of the opposition Social Democratic Party. "On the contrary, all experts are forecasting further increases in 1998."

The latest figures drive a wedge deeper in a widening economic and social split between Eastern and Western Germany. While the jobless rate held steady at 9.9 percent last month in Western Germany, it rose in the East, to 19.8 percent, compared with 19.6 percent in November.

"Light at the end of the tunnel is still a long way off in the East," said Alison Cottrell, an economist at PaineWebber in London. "Germany is divided on the labor-market front."

The formerly communist Eastern states have been unable to benefit from the export boom for Western Germany's companies, said Bernhard Jagoda, president of the Federal Labor Office. Despite relatively mild winter weather, Eastern Germany's depressed construction sector continued to lay off workers, he said.

With unemployment the dominant political issue ahead of the Sept. 27 national elections, the 67-year-old chancellor faces an uphill election campaign as he seeks a record fifth term.

Mr. Kohl's retreat from his jobs promise coincided with a new public opinion poll that showed his center-right coalition government trailing a leftist alliance of the Social Democrats and the pro-environmental Green party.

The survey by the Ennuid research group found that if the elections were held now, the Social Democrats would win 38 percent of the vote compared with 37 percent for Mr. Kohl's Christian Democrats. The Greens would win 10 percent, while the Free Democrats, the junior partner in Mr. Kohl's coalition, would fall to meet the 5 percent minimum threshold needed for seats in Parliament.

Dismissing the polls, which had shown a similar early advantage for the left in the 1994 election, Mr. Kohl said he expected his center-right alliance to be returned to office in September.

Karpov Retains FIDE Chess Crown

The Associated Press

LAUSANNE, Switzerland — Anatoli Karpov, the defending champion, defeated his challenger, Viswanathan Anand, in two straight tiebreaker games Friday to retain the championship of the International Chess Federation, or FIDE.

Mr. Karpov and Mr. Anand had tied 3-3 in the six-game match, which was thrown into a tiebreaker Friday under a format that required them to play two games with a time limit of 25 minutes for each player in each game.

Mr. Karpov won the first game Friday, playing white, and also dominated the second game, playing the black pieces to win the \$1.37 million first prize. Mr. Anand won \$768,000.

The result capped a week's competition.

Garry Kasparov, who is ranked as the world's strongest player and who formed the breakaway Professional Chess Association in 1993, did not participate in the tournament.

Herald Tribune

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Algeria's Terror

It is not only the scope and persistence of the killings in Algeria that draw international alarm — a record 400 people were slaughtered in the other night, and then hundreds more. It is the aura of puzzlement that hangs over the savagery. The extremist Armed Islamic Group is blamed for most civilian massacres in the past two years. But cannot this group understand the hatred it is stirring up for itself?

Meanwhile, hints of an Algerian army or government hand in the terror linger; the presumed purpose would be to turn public opinion against the extremists. But why then would the army or government wish to be advertising its own inability to protect the people?

On its part, the Algerian government is coming under increasing criticism, and more and more from its friends, for failing to do more to head off the catastrophe. Acutely conscious of the restraints imposed by their colonial past in Algeria, the French are increasingly moved by the inflow of Algerian immigrants and by the spread of Algerian terrorism to French soil. After the slaughter of the 400, French officials abandoned their usual detachment and, joined by the United States and Germany, urged the Algerian government to try harder to stop the massacres. Paris chided the Algerian leadership for not pursuing its own process

A Lunatic Venture

The physicist Richard Seed thinks he has a nifty idea. Now that scientists have cloned a sheep, producing a lamb genetically identical to its parent, Mr. Seed thinks it is time to clone a human child that would be the identical twin of its parent.

Never mind that the Scottish scientists who cloned the lamb have opposed applying their techniques to humans, or that ethicists are disturbed over the implications, or that President Bill Clinton has called for a moratorium on cloning humans or that Congress is preparing to debate a ban.

Never mind that there is no real need for this service, nor any compelling scientific reason to do it. Forget that the cloning procedure itself is highly unreliable, failing 276 times before the Scottish scientists finally achieved a success. Anyone crazy enough to take a chance with Mr. Seed faces the real

Good Moves in Mexico

Mexico's president, Ernesto Zedillo, has announced two crucial cabinet changes in recent days that encourage hopes for greater democracy and accountability. He named a new interior minister, replacing Emilio Chuayffert Chemor with Francisco Labastida Ochoa. Mr. Chuayffert represented the worst traditions of the ruling Institutional Revolutionary Party, or PRI. Mr. Zedillo also appointed José Angel Gurría to replace Guillermo Ortiz as finance minister, the cabinet's top economic position.

Mr. Ortiz did a good job of managing Mexico's recent economic recovery, but different skills are required now that budgets must be negotiated with an opposition majority in Congress. Mr. Gurría, who has previously served as international debt negotiator and most recently as foreign minister, is an astute politician. The new foreign minister will be Rosario Green, the first woman in that post.

The change at Interior was overdue. The ministry plays a central role in determining whether Mexico's democratic reforms will become a reality. It coordinates relations with the judiciary, Congress and state governments, runs an undercover investiga-

Other Comment

Defense-Cut Whining

The ink on the U.S. balanced budget agreement was barely dry when Republicans began looking for ways around it. Now the House speaker, Newt Gingrich, wants to bust the budget. He is calling for more military spending.

What dire circumstances have impelled the speaker to advocate higher military outlays? The cynical observer might point to an extra \$2.5 billion to be spent next year for F-22s and C-130s, planes that the air force doesn't want but that are partly built in Mr. Gingrich's home state of Georgia.

There's no other reason to increase

defense spending. The United States dominates the world as never before. The United States possesses the largest and most productive economy, as well as undoubted military supremacy.

For all of the whining about defense "cuts," all Congress has done is eliminate the Reagan defense buildup. Adjusted for inflation, U.S. military spending is about as much today as it was in 1980, 1975 and 1965. And this is without a war in Vietnam, an antagonistic Soviet Union or a Communist-ruled Eastern Europe.

— Doug Bandow, a senior fellow at the Cato Institute, commenting in the Los Angeles Times.

Financial Community Contributed to the Mess, Too

By Jim Hoagland

WASHINGTON — Tales of South Korean corruption, Indonesian mismanagement and Thai chicanery are being advanced to explain Asia's suddenly stumbling economies. Most of the tales ring true and explain much. But they are not the whole story.

They do not explain this central reality: Asia's rolling financial crisis has been indiscriminate in its choice of victims. It has smashed the ambitions and treasury of an industrial democracy built by a disciplined and homogenous population (South Korea) as easily as it has leveled an oil-rich autocracy where social and racial tensions are rife (Indonesia).

The world's financial wizards are at work designing and revising condition-laden bailout packages for Asia based entirely on correcting Asian flaws. The wizards seem to think like Brutus rather than Cassius, finding fault in the stars and not on their own doorstep. But they should be asking if anything in the international financial system itself helped trigger this economic debacle.

The trigger for crisis in Asia, as in Mexico in 1994, was in fact external: Short-term dollar-denominated debt payments rolled due in massive amounts and international banks and investors refused to extend new credit as it became

clear that the debtor companies and governments did not have enough dollars to pay off everybody holding a claim.

Nobody wanted to be the last fool standing. Credit evaporated overnight and the financial herd began stampeding out of Asian markets in its rush and endangering investors' chances to get full repayment.

The material causes of this pattern of destructive financial behavior are relatively easy to identify. Greedy Asian politicians and their cronies took advantage of the laziness of institutional investors and lenders abroad, who slavishly followed the credit ratings issued by agencies that turn out to be ill-equipped to assess today's mountainous, often concealed foreign corporate debt.

Fund managers, under the pressure of formulaic Wall Street requirements to invest fixed amounts in "emerging markets," delegated their judgment to Standard & Poor's, or to the overly optimistic, self-interested assessments of the International Monetary Fund or the Asian Development Bank.

This is the psychological dimension to the crisis that needs to be understood.

The huge capital flows created in investors' minds a financial Asia that did not correspond to the national conditions and political structures of the countries into which the money was pouring.

Asia became El Dorado. The World Bank blessed the image with a late 1994 report on "The East Asian Economic Miracle" that lavishly praised the countries, now under attack, with the great financial cliché of our time: Asia was getting the fundamentals right.

The point is not that experts get it wrong, too. The point is that labels more often obscure than illuminate and should be distrusted. "Globalization" became an easy label for the complicated process that begot the "Asian Miracle."

Investors, regulatory officials, journalists and others stopped thinking about the uneven, mixed individual cases the Miracle described and lumped them together as tigers, cubs or other colorful metaphors. Lumping was easier than thinking. And such labels helped cover the hot-money profits the money managers reaped.

For years this groupthink and herd investment encouraged money-center banks, pension fund managers and credit rating agencies in the United States, Japan and elsewhere to overlook the obvious signs of the corrup-

tion, mismanagement and chicanery among their borrowers.

Russian politicians and their cronies looked at South Korea's *chaebol* system and saw a model for the economic plunder they hoped to practice. The Asian Miracle as economic model and explanation was part hype, part delusion, part scam, depending on the purposes of the beholder.

It is now clear that many South Koreans, Thais and Indonesians took the money and ran. Their countrymen will have to pay for that through the austerity, unemployment and bankruptcies the IMF conditions for new credit will bring.

But the IMF and the power that guides it in this crisis, the U.S. Treasury, risk building a whirlwind of resentment with their blinkered approach. Their recovery plans impose draconian local conditions on the Asian debtor nations but do not offer or demand reforms in the patterns of international investment and lending that contributed to this crisis.

The wizards must address directly and clearly the fault that lies with the international financial community, along with belatedly telling the world about Asia's flaws.

The Washington Post.

Europe Could Teach America Much About Drug Policy

By Ethan A. Nadelmann

NEW YORK — Both at home and abroad, the U.S. government has attempted to silence critics of its official drug policy.

It has tried to suppress scientific studies that reached politically inconvenient conclusions, and to block resolutions supporting the principles of harm reduction.

In May 1994 the State Department forced the last-minute cancellation of a World Bank conference on drug trafficking to which critics of U.S. drug policy had been invited. That December the U.S. delegation to an international meeting of the UN Drug Control Program refused to sign any statement incorporating the phrase "harm reduction."

In early 1995 the State Department successfully pressured the World Health Organization to scuttle the release of a report it had commissioned from a panel that included many of the world's leading experts on cocaine. The report included the scientifically incontrovertible observations that traditional use of coca leaf in the Andes causes little harm to users and that most consumers of cocaine use the drug in moderation with few detrimental effects.

Hundreds of congressional hearings have addressed multitudinous aspects of the drug problem, but few have inquired into the effectiveness of various European harm-reduction policies.

In Europe, informed, public debate about drug policy is increasingly common in government, even at the EU level. In June 1995 the European Parliament issued a report acknowledging that "there will always be a demand for drugs in our societies" and that "the policies followed so far have not been able to prevent the illegal drug trade from flourishing."

The European Union called for serious consideration of the Frankfurt Resolution, a statement of harm-reduction principles supported by a trans-

national coalition of 31 cities and regions.

In October 1996 Emma Bonino, the European commissioner in charge of consumer policy and health protection, advocated decriminalizing soft drugs and initiating a broad prescription program for hard drugs.

Last February the monarch of Liechtenstein, Prince Hans-Adam II, spoke out in favor of controlled drug legalization. Even Raymond Kendall, secretary-general of Interpol, was quoted in London's Guardian newspaper in 1994 as saying:

"The prosecution of thousands of otherwise law-abiding citizens every year is both hypocritical and an affront to individual, civil and human rights. ... Drug use should no longer be a criminal offense. I am totally against legalization but in favor of decriminalization for the user."

One can, of course, exagger-

ate the differences between attitudes in the United States and those in Europe and Australia. Many European leaders still echo President Jacques Chirac's punitive, U.S.-style anti-drug pronouncements in France.

Conversely, support for harm-reduction approaches is growing in the United States, notably and vocally among public-health professionals but also, more discreetly, among urban politicians and police officials.

But Europe and Australia are generally ahead of the United States in their willingness to discuss openly and experiment pragmatically with alternative policies that might reduce the harm to both addicts and society.

Public-health officials in many European cities work closely with police, politicians, private physicians and others to coordinate efforts. Community policing treats drug dealers and users as elements of the com-

munity that need not be expelled but which can be made less troublesome.

Such efforts, including crackdowns on open drug scenes in Zurich, Bern and Frankfurt, are devised and implemented in tandem with initiatives to address health and housing problems.

In the United States, in contrast, politicians presented with new approaches do not ask, "Will they work?" but only, "Are they tough enough?"

Many U.S. legislators are reluctant to support drug-treatment programs that are not punitive, coercive and prison-based, and many criminal justice officials still view prison as a quick and easy solution for drug problems.

The lessons from Europe and Australia are compelling. Drug-control policies should focus on reducing drug-related crime, disease and death, not the number of casual drug users. Stopping the spread of HIV by and among drug users by making

sterile syringes and methadone readily available must be the first priority.

American politicians need to explore, not ignore or automatically condemn, promising policy options such as cannabis decriminalization, heroin prescription and the integration of harm-reduction principles into community policing strategies. Central governments must back, or at least not hinder, the efforts of municipal officials and citizens to devise pragmatic approaches to local drug problems.

All that remains is mustering the political courage.

The writer is director of the Lindesmith Center, a drug-policy research institute funded by George Soros, and the author of "Cops Across Borders: The Internationalization of U.S. Criminal Law Enforcement." This article, adapted from a longer version in *Foreign Affairs* magazine, was distributed by the New York Times Syndicate.

I Still Dream About the Boy Whom I Killed

By Jo Becker

WASHINGTON — The United States was notably absent from the group of 125 nations that recently gathered to sign the international treaty banning land mines.

The United States (joined only by Somalia) has failed to ratify the Convention on the Rights of the Child, the most widely and rapidly adopted human rights treaty in history.

And new the United States is attempting single-handedly to block efforts to reduce the use of child soldiers.

As many as 250,000 children, some as young as 8 years old, are serving in government armies or armed rebel groups.

In more than 30 countries around the world, these young combatants are both the tools and the casualties of adult hatreds.

More than 2 million children have been killed in armed conflicts in the past decade. Six million have been seriously injured or permanently disabled. Many more bear psychological scars from being forced to both commit and witness horrific atrocities.

For example, thousands of children have been abducted into the Lord's Resistance Army, an armed rebel group fighting the Ugandan government. Interviewed after escaping from captivity, a 16-year-old girl told of her experience:

"One boy tried to escape, but he was caught. ... His hands were tied, and then they made us, the other new captives, kill him with a stick. I felt sick. I knew this boy from before. We

were from the same village. I refused to kill him, and they told me they would shoot me. They pointed a gun at me, so I had to do it."

"The boy was asking me, 'Why are you doing this?' I said I had no choice. After we killed him, they made us smear his blood on our arms. ... They said we had to do this so we would not fear death and so we would not try to escape. ... I still dream about the boy from my village whom I killed. I see him in my dreams, and he is talking to me and saying I killed him for nothing, and I am crying."

The use of children as soldiers is a growing phenomenon. In Afghanistan, the proportion of soldiers who are children is believed to have risen in recent years from 30 percent to 45 percent. In other countries, such as Burundi, children are being recruited at increasingly younger ages.

To address this appalling practice, the United Nations has been working to draft an amendment to the Convention on the Rights of the Child to raise the minimum age for recruitment and participation in armed conflict from 15 to 18 years of age.

Negotiations fell apart early last year, however, when the United States became the only country unwilling to accept 18

as a new minimum standard for participation in armed conflict. Negotiations are set to resume next month, but unless the United States changes its position, any further progress may be impossible.

Washington bases its objection to the agreement on current U.S. recruitment practices, which allow 17-year-olds to enlist with parental permission. In fact, less than one-half of 1 percent of U.S. troops are below the age of 18. After completing basic and technical training, nearly all of these soldiers have reached 18 before being assigned to combat positions.

Recently, 38 former U.S. military officers (including several retired admirals and generals) wrote to President Bill Clinton, saying that "an agreement establishing eighteen as the minimum age for participation in armed conflict reflects the strong desire of the world's nations to set a new international standard for protecting children from the horrors of war."

The U.S. government's obstruction of an initiative that the rest of the world favors, and that would protect a great number of children from combat, is truly unconscionable.

The writer, advocacy coordinator for Human Rights Watch Children's Rights Division, contributed this comment to The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: 'Wicked' Paris

NEW YORK — The *Sun* makes a sensational charge that Paris is one of the most lawless cities in the world: "The French really pretend to be a little better than other nations. They regard their criminals as artistic and even refined criminals. If you tell a Frenchman that his laws are breeding a race of criminals, he will not believe you. He thinks that you are a barbarian because you are a foreigner and that you know nothing about it. He believes France to be not only the greatest of all countries, but the most virtuous. He expects Paris, perhaps, because he likes to believe that Paris is wicked."

1923: U.S. Withdrawal

PARIS — The decision to withdraw immediately the last of the American forces from the Rhine came as no surprise to the French Government. The Amer-

ican flag is now to be hauled down on the Rhine practically simultaneously with the French advance into the Ruhr. The French Government intimated that it doesn't think that America is abandoning France and favoring Germany in the matter of the Ruhr occupation.

1948: Moroccan Ire

PARIS — The Sultan of Morocco, Sidi Mohammed ben Youssef, has demanded the recall of General Alphonse Juin, French resident general, in a letter to President Vincent Auriol. The Sultan, after citing a long list of grievances, contends that France has violated the treaty of 1912, which established a French protectorate over the area. He seeks independence for Morocco. The Sultan's action follows the formation of a North-west African League under the direction of Abd-el-Krim, the Moroccan rebel chief.

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ART

INTERNATIONAL HERALD TRIBUNE
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PAGE 7

Cultural Ecology: Saving the Past Debate Rages Over Antiquities

NEW YORK — Voices are getting shriller by the day in the debate that pitches those eager to protect the buried treasure of mankind, antiquities, against those desperate to defend private collecting and the trade that caters to it.

It fills pages in the January-February issue of *Minerva*, The International Review of Ancient Art & Archaeology, founded by a New York dealer, Jerome Eisenberg, a Jekyll-and-Hyde character who loves his trade but is equally fascinated by archaeology as a science.

The debate is at the source of the international agreement on stolen or illegally exported cultural objects, the Unidroit convention, promoted by the

was immediately reminded of a head in the Met, bought in 1919.

When brought into the museum for comparison, the torso and the head were found to belong together and eventually, the museum bought the piece. The damage caused to the figure, now restored, gives a new meaning to the man's expression, full of dignity. But with the loss of the arms, the sculptural balance has been irreparably impaired.

Had the statue been recovered from a proper excavation, damage caused in ancient times when it was smashed, perhaps under Amenhotep III's successor, would be visible. But in all likelihood, it would have retained most of the broken bits. The missing arms, wedge-like fragments splintered off the shoulders, would not have been lost.

Yet that is negligible compared with the gigantic havoc now wrought from Turkey to China, most of it unreported. The worst affected countries are never mentioned. Tibet has been devastated and its debris acquired by Western museums. Echoes have yet to filter to the West of the disaster that took place at Kal-e Makarch, in Western Iran a few years ago. An inaccessible cave high up in the mountains apparently made into a royal repository, possibly religious, was nearly emptied of its contents before an archaeological team from Tehran could reach it. Among the works still in place when it arrived, the Persian journal *Minerva* (Cultural Heritage) reported, were two life-size silver gods, with wings in the back, standing on their hind legs. One or two masks, presumed to be of human-headed winged lions were found. Later, one of these was seized from traders trying to take them out of the country. It was shown to me in the storage room of the Ministry of Culture.

Shortly afterward, a flow of gold and silver vessels in a style clearly paying the way for the great classical style of the Achaemenid Empire (550-334 B.C.) began to reach London and New York. On some, cuneiform inscriptions give the names of hitherto unrecorded rulers. A few have appeared at auction; most have been handled by dealers. A cache of immense historical importance appears to have been destroyed that might have shed light on dynastic history, early ritual and pre-Achaemenid art history, about which details are desperately scanty.

In the early 1980s, a disaster of comparable proportions in what must have been the buried remains of a royal palace projected onto the Western markets about 30 silver drinking horns dating from the second or first century B.C., caught sight of them while they were in a European capital on their way to New York. Most are now ensconced in American collections.

In scale, the catastrophe is worst in the Middle East and China, but in nature, the problem is worldwide. There are two differences with the past. Physical de-



Granodiorite statue from the reign of Amenhotep III, c. 1391-1355 B.C.

Hirschfeld's Vision of Theater

By David Leopold

NEW YORK — "Would like a drawing of Harry Lauder two coils deep delivery no later than Tuesday. Sam Zolotow New York Times." These 20 words, in a telegram to Al Hirschfeld, changed the way we look at the theater.

The drawing of the Scottish vaudeville star, published on Jan. 29, 1928, marked the beginning of Hirschfeld's 70-year association with The New York Times. Throughout the decades, to be "Hirschfelded" has been a sign that one has arrived.

Now, at the age of 94, the man many believe to be the finest caricaturist of his era will be celebrated in at least three major exhibitions.

Instead of deflating his subject, a tradition in caricature, he joins the actors in their pantomime, capturing their characters in so few lines that the playwright Terrence McNally once said: "No one writes more accurately of the performing arts than Al Hirschfeld. He accomplishes on a blank page with his pen and ink in a few strokes what many of us need a lifetime of words to say."

When he can, the artist works from life, making sketches and notes on a pad or in his pocket during a performance. Back in his studio in Manhattan, he collates his notes and sketches with photos of the production to shore up his self-declared "faint memory" and distills them onto a drawing board.

But for a man who lives resolutely in the present, his past keeps coming back to haunt him. It is understandable. He has traveled, almost as a Zelig-like character, from Gertrude Stein's Paris salon to the first cellular on-line conference. And he has recorded and participated in nearly the entire history of the lively arts in the 20th century.

He is an easy raconteur, and some of his recollections were recorded during the making of "The Line King," a 1996 film about him by Susan Dryfoos, who was nominated for an Academy Award and has recently been released on video.

It is his artwork though that offers the truest reflection of the man: uncomplicated, engaging and often irreverent. Opportunities to study his "unaccountable line," as he calls it, include a major retrospective opening on Jan. 18 at the Museum of Art in Kantonah, New York. The show ranges through nine decades, from a drawing by the budding 11-year-



Elita Fitzgerald, 1993; Al Hirschfeld is the subject of several exhibitions.

old artist to his most recent work. Other exhibitions that include his work will be at the Library of Congress and the National Portrait Gallery in Washington and Harvard University in Cambridge, Massachusetts.

It is in his film art that the evolution of the Hirschfeld line can be traced. Rising from office boy at Goldwyn Pictures in 1920 to art director at Selznick Pictures two years later, Hirschfeld was already widely acclaimed for his movie poster artwork before he published his first theatrical caricature. His early influences were what he now refers to as the "eye, ear, nose and throat" drawings of Charles Dana Gibson, who defined an era with the Gibson Girl.

Hirschfeld then graduated to the stylized line drawings of John Held Jr., the illustrator of the *Jazz Age*. In 1924, when he was 21, he took a studio on West 42d Street with the newly arrived Miguel Covarrubias, and was bitten by the bug of caricature that Covarrubias had brought from his native Mexico.

"There was something about Miguel's background that made him a natural graphic artist," Hirschfeld said recently, "and a lot of that rolled onto me."

His theater work began with a doodle of the French actor Sacha Guitry on a

program, published in The New York Herald Tribune in 1926. (It was the start of regular theatrical assignments that became exclusive with The New York Times in 1943. A handshake sealed the agreement until 1990, when a contract was drawn up.)

Instead of relying on the outline or profile of his subjects, like many of his early contemporaries, he has employed a palette of graphic symbols (including his daughter's name, Nina, which he began hiding within his work in 1945) to translate the action of the whole body into line drawings that have become the lingua franca of generations of actors and audiences.

But no matter how he is celebrated, the artist knows there is a clean, cold-pressed illustration board sitting on his drawing table that cares little for what he has done in the past. On it will be his favorite drawing: the one he is working on today.

David Leopold, a performing-arts historian and the architect of Al Hirschfeld's work, wrote this for The New York Times. He is the guest curator of the exhibition "In Line With Al Hirschfeld" at the Kantonah Museum of Art in Kantonah, New York.

SOURIN MELIKIAN

United Nations Educational, Scientific and Cultural Organization—some European states voted in favor, the United States may or may not agree—and it is angrily spilling into the courts, American ones included. As in all vital issues, both sides have a case to make.

There is little doubt that illicit digging for profit is smashing up the global world hoard stashed underground. It is as damaging to our cultural heritage as pollution is to our environment. It mutilates masterpieces and destroys entire categories—buried ivories, which need to be stabilized before being touched, do not survive. Not least, it destroys the nonscriptural body of evidence that underpins the history of world culture.

At wide intervals there is a (partially) happy ending, often courtesy of dealers like Eisenberg.

Those who pass through the Egyptian rooms of the Metropolitan Museum in New York will be struck by the gray granodiorite statue of a man. Pressing a staff against his chest, his head slightly thrown back, the man has an ineffable smile of inner certainty not uncommon under Amenhotep III (around 1391-1353 B.C.). Breathe and losses speak of rough handling. The tip of the nose is smashed, the tressed beard retains only traces of its tapering tip. Most of the right arm and the middle portion of the left arm holding the staff are gone, as are the legs, chopped off below the knees.

construction has accelerated (metal detectors plus dynamite make a lethal combination), and a tide of opinion, academic and otherwise, is mounting against this state of affairs.

Minerva is ringing with echoes of the debate that is erupting. The Unidroit convention, established by Unesco and adopted by some countries, may be imperfect but the very fact that it exists has consequences. There have been spectacular conversions from a debonair tolerance of collecting to fierce opposition.

COLIN RENFREW, who wrote "The Cycladic Spirit," a book about the finest private collection of Cycladic art in existence, published by Harry N. Abrams, is now campaigning hard for the adoption of Unidroit in Britain. The Guardian quoted him last year as writing that "dealers have shop windows full of bits and pieces, most of which are the product of illegal excavations." This provoked an enraged Eisenberg to reply with a blistering, "Enough is enough, Lord Rensfrew," in the September-October issue of *Minerva*.

But Eisenberg himself is clearly distressed by the havoc. The latest issue devotes a whole page to the recovery (in, appalling Byzantine) by German police on Oct. 10 of Byzantine mosaics that were ripped off the church of Panagia Kanakaria at Lythangoni in Turkish-occupied Cyprus and the recovery of plaster medallions stolen from the Kabul National Museum. The dealer has told me that he never buys fragments from monuments, nor will he do business with runners who come straight from the source countries.

Can the protection of the world heritage, and the collecting impulse that prompts the trade, ever be reconciled? Some partial solutions are conceivable.

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First of two articles. Next week: Some answers to a cultural dilemma.

Austria Protests Art Seizure

By Jane Perlez
New York Times Service

VIENNA — The Austrian government protested the detention in New York City of two paintings by the Viennese Expressionist painter Egon Schiele that had been part of a show at the Museum of Modern Art and were scheduled to be returned to Vienna.

"This deals a heavy blow to the international exchange of art," the Austrian culture minister, Elisabeth Gehrer, said. "It shakes the foundation of trust that one should also be given back pictures one has lent out."

[Foreign Minister Wolfgang Schüssel told reporters in Vienna that he had demanded "the total clarification of the question of ownership" of the two canvases. AF reported. "Austria's justified interests must be protected."]

The dispute over the provenance of the paintings, which two families claim were confiscated by the Nazis from their relatives, has become a cause célèbre in Austria involving politicians, diplomats and art experts. The paintings, which are among the holdings of the Leopold Foundation, named for a Viennese ophthalmologist and art dealer, Rudolf Leopold, have also drawn attention from the U.S. government.

In Washington, the State Department said it had discussed the matter with one of the claimants last week and had been in touch with the Austrian government through



Disputed painting: Schiele's "Portrait of Wally."

the U.S. Embassy in Vienna. James Rubin, a State Department spokesman, said, "We are encouraged that the Austrians and the Foundation have indicated their willingness to work with the claimants to resolve the issue of ownership amicably."

Austrian newspapers and television stations reported on the matter in detail and for the most part expressed astonishment that the paintings, part of an extensive Schiele collection, were being held in New York as a result of a subpoena issued to the museum by the Manhattan district attorney, Robert Morgenthau.

In New York on Thursday, representatives of the Leopold Foundation, which is being built in Vienna by the Leopold Foundation, issued a strong statement of protest,

defending Leopold as a good-faith purchaser of the artworks and protesting the actions of the two families: "They have unnecessarily forced a situation that breaks the legal contracts that guarantee the return of the paintings between MOMA and the Foundation, crippled MOMA's ability to fulfill its obligations to its benevolent lenders, and perhaps damaged the legitimacy of the criminal process."

The conservative newspaper Die Presse noted that the chairman of the Museum of Modern Art is Ronald Lauder, who was American am-

bassador to Austria in the mid-1980s and who is an avid collector of Schiele himself.

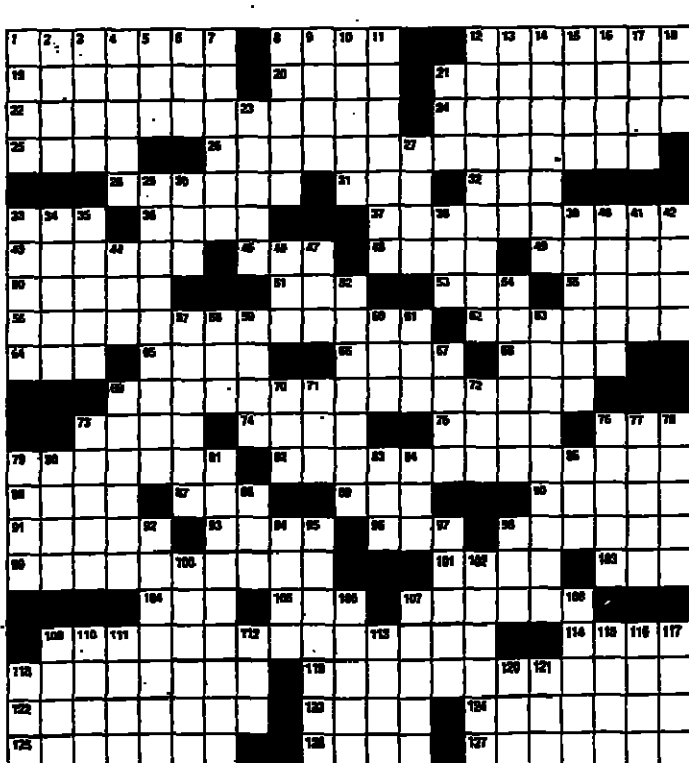
The paper said that Lauder was affected by the Morgenthau ruling, not only as chairman of the museum, but because of his position as head of a committee at the World Jewish Congress that deals with the recovery of stolen art. Since the first article about the artworks ran in The New York Times in late December, Lauder has declined to comment.

THE two paintings, "Portrait of Wally" and "Dead City" are holdings of the Leopold Foundation, which is financed by the Austrian government and which bought Leopold's collection in 1994 for about \$175 million.

According to the Austrian Ministry of Foreign Affairs, the Leopold Foundation, which was established under Austrian law as a private foundation, is the legal owner of the paintings. The ministry said that the government had two representatives from the Ministry of Finance and two from the Ministry of Culture on the foundation's board of directors. The Ministry of Foreign Affairs told American diplomats here that because of the lack of evidence of wrongdoing in Leopold's acquisition of the paintings, the government would not intervene.

HEART AT THE AIRPORT By Mark Danna

- ACROSS**
- 1 River name
 - 2 "Where the goods are brought in"
 - 3 "Shame" man
 - 4 He's well-suited for the job
 - 5 Mine in Antiers
 - 6 Most volatile emotionally
 - 7 "Hey, babe, wanna sit with me on the plane?"
 - 8 Transport to country
 - 9 Game for two of four
 - 10 "While we're in the air, write an essay on aviation"
 - 11 "Don't waste your breath"
 - 12 Still
 - 13 Some M.I.T. grads
 - 14 Spruce
 - 15 Nods, perhaps
 - 16 "I'm an unattractive woman who'll gab the whole trip"
 - 17 Revolt
 - 18 Burden
 - 19 Dams of Star Trek: T.A.G.
 - 20 "Wuthering" actor
 - 21 One of the clan
 - 22 Bad-mouth
 - 23 "out" (lamp's cry)
 - 24 Manor near Twelve Oaks
 - 25 "Follow orders in this plane area or else!"
 - 26 Court huddle
 - 27 Twice 78-Down
 - 28 Sen. Cochran
 - 29 Roman called "The Elder"
 - 30 Trackers, e.g.
 - 31 "Prepare to do a spool on airports"



© New York Times/Edited by Will Shortz

- DOWN**
- 1 Darts' places
 - 2 Simon speaker
 - 3 Jax, e.g.
 - 4 Gold braid
 - 5 Among, in poetry
 - 6 "Wheel of Fortune" buy
 - 7 Used a thumble
 - 8 West against
 - 9 Part of a Latin tri
 - 10 "I deduced"
 - 11 Examine closely
 - 12 Assembling
 - 13 Psychoanalyst Karen
 - 14 Joy of wild animals?
 - 15 Split
 - 16 Chow
 - 17 Key
 - 18 Last in line, usually
 - 19 "Don't blame me—voted for"
 - 20 Zeit or polter
 - 21 "First I'll read, then watch the movie, then..."
 - 22 "They're missing from a roll (dew comb)"
 - 23 American finch
 - 24 Beech
 - 25 Diving bird
 - 26 Lichtenstein, for one
 - 27 ——— condoleance
 - 28 Spills the beans
 - 29 Gillette brand
 - 30 Landing
 - 31 "It's 'here' in Le Havre"
 - 32 Pitches
 - 33 Greek letters
 - 34 Basic sugar
 - 35 Harshness
 - 36 Discontinued, with "out"
 - 37 "Wild" to a dupe
 - 38 Ice cream brand
 - 39 Teller
 - 40 Airport monitor
 - 41 Lacking
 - 42 Tom, Joad, e.g.
 - 43 Harassing
 - 44 Watch chain
 - 45 1997 Rose Bowl winner: Abbr.
 - 46 50% of Bonn
 - 47 Porch with a view
 - 48 Doha's land
 - 49 Treatments
 - 50 Ping
 - 51 Set 64-Across
 - 52 Hydroxy-carbon compound
 - 53 Small English coins
 - 54 "d'Orléans"
 - 55 Veio
 - 56 First name in horror
 - 57 Less
 - 58 Trees, e.g.
 - 59 N.F.L. locker
 - 60 Poet's "—- Lee"
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Solution to Puzzle of Jan. 3-4

ACROSS
1. Nile
2. Port
3. Shame
4. Well-suited
5. Mine
6. Volatile
7. Hey, babe
8. Transport
9. Game
10. Essay
11. Don't waste
12. Still
13. MIT
14. Spruce
15. Nods
16. I'm an unattractive woman who'll gab the whole trip
17. Revolt
18. Burden
19. Dams
20. Wuthering
21. One of the clan
22. Bad-mouth
23. out
24. Manor
25. Follow orders
26. Court
27. Twice 78-Down
28. Sen. Cochran
29. Roman
30. Trackers
31. Prepare to do a spool on airports

DOWN
1. Darts
2. Simon
3. Jax
4. Gold braid
5. Among
6. Wheel of Fortune
7. Used a thumble
8. West against
9. Part of a Latin tri
10. I deduced
11. Examine closely
12. Assembling
13. Psychoanalyst Karen
14. Joy of wild animals?
15. Split
16. Chow
17. Key
18. Last in line, usually
19. Don't blame me—voted for
20. Zeit or polter
21. First I'll read, then watch the movie, then...
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23. American finch
24. Beech
25. Diving bird
26. Lichtenstein, for one
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28. Spills the beans
29. Gillette brand
30. Landing
31. It's "here" in Le Havre
32. Pitches
33. Greek letters
34. Basic sugar
35. Harshness
36. Discontinued, with "out"
37. "Wild" to a dupe
38. Ice cream brand
39. Teller
40. Airport monitor
41. Lacking
42. Tom, Joad, e.g.
43. Harassing
44. Watch chain
45. 1997 Rose Bowl winner: Abbr.
46. 50% of Bonn
47. Porch with a view
48. Doha's land
49. Treatments
50. Ping
51. Set 64-Across
52. Hydroxy-carbon compound
53. Small English coins
54. "d'Orléans"
55. Veio
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Friday's 4 P.M. Close
The 2,600 most traded stocks of the day.
Intrday prices not reflecting late trades else.
The Associated Press.

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Continued on Page 12

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Herald Tribune BUSINESS/FINANCE

SATURDAY-SUNDAY, JANUARY 10-11, 1998

PAGE 9

Manila Exchange Leads Rout of Asian Markets

By Thomas Crampton
International Herald Tribune

BANGKOK — Topping off a week of unprecedented currency turmoil in Asia, every stock market in the region fell Friday despite signs that the United States and International Monetary Fund would intensify efforts to help ease the crisis.

Even such traditional safe havens for capital as Hong Kong and Singapore joined in the plunge as investors scorned stocks that many analysts said are already undervalued.

Manila stocks led the rout with a loss of 8.3 percent, followed by Singapore with 7.4 percent and Hong Kong with 3.9 percent.

But the gloom was felt throughout the region as Kuala Lumpur stocks fell 3.1 percent, Seoul 2.4 percent, Bangkok 2.9 percent, Sydney 1.8 percent, Jakarta 1.2 percent and Shanghai 3.9 percent.

Tokyo stocks slipped 0.2 percent and Taipei 0.5 percent.

"There will certainly be an end to this crisis, but it is impossible to say when," said Mark Sundberg, co-head of regional research at Salomon Brothers. "Without a doubt these currencies and stock markets have dropped to levels that do not reflect their underlying value, but you just can't put a date on when confidence will return and people will begin buying."

The region's currencies, including the Indonesian rupiah, took a respite from a week of hitting historic lows against the U.S. dollar almost daily following reports that Deputy Treasury Secretary Lawrence Summers would travel to Jakarta this weekend in an effort to negotiate a "strengthening and

acceleration" of Indonesia's \$43 billion international bailout.

The IMF's top officials, Managing Director Michel Camdessus, and the first deputy managing director, Stanley Fischer, plan to visit Asia next week.

While positive, analysts said the news was not enough to reassure investors that Asia's final U.S. dollar-pegged currency, the Hong Kong dollar, was immune to speculative attacks.

Investors, fearing high interest rates if the currency comes under attack, fled the Hong Kong market, driving the Hang Seng index down for the sixth straight session to close at 8,894.64 points, its lowest since May 10, 1995.

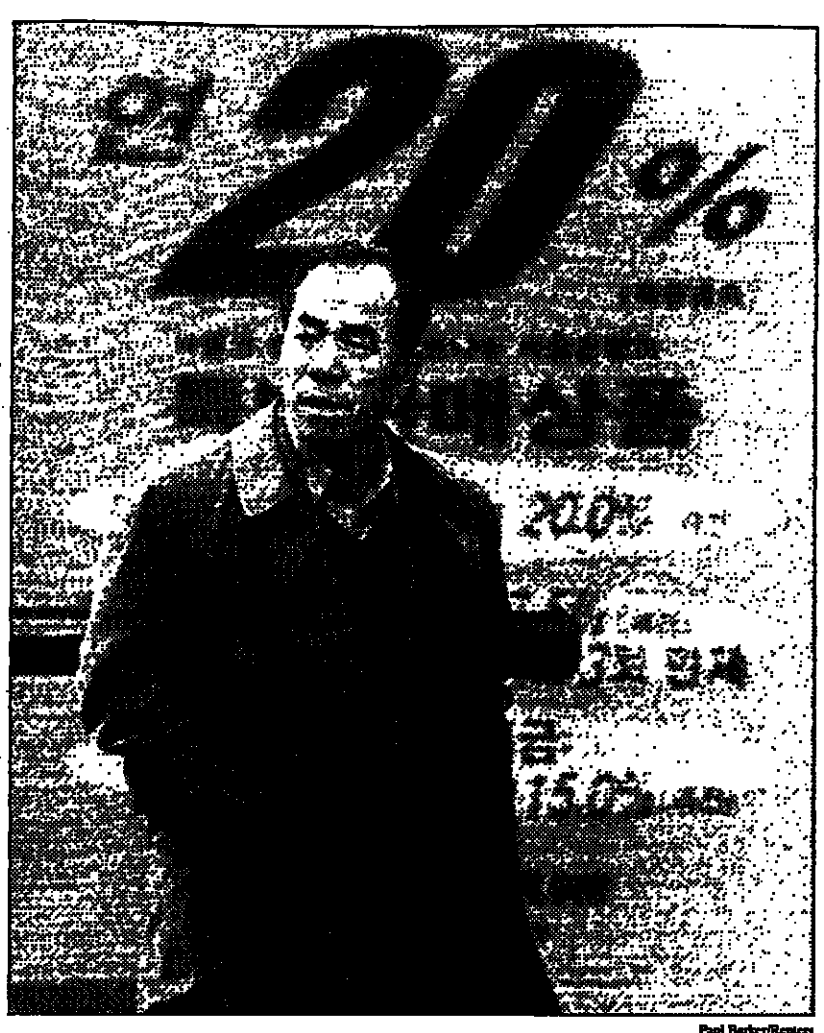
The length and severity of the regional turmoil has also raised concern that, despite repeated denials by Beijing, China may devalue the yuan.

Singapore suffered a stinging blow Friday as plunging stocks further tarnished the prosperous island's image as a safe haven and pushed the market's total loss in the first week of this year to 22 percent.

The Singapore dollar, which had until recently been relatively insulated from the regional turmoil, has fallen 20 percent since the crisis began in July, with the sharpest decline taking place in the last few weeks.

The sell-off in Singapore has largely been driven by the currency collapse in Indonesia, and few buyers will return until the regional turmoil settles down, analysts said.

On Thursday, the Indonesian rupiah fell 26 percent to a record low of 10,550 to the dollar. The rupiah has lost half its value since the year began and about 75 percent of its value since July when currencies began dropping to re-



A man in Seoul walking past a bank advertisement Friday that offered a 20 percent interest rate on savings deposits. Big international banks have agreed to keep extending due dates on loans until the crisis is solved.

cord lows in several Asian countries.

In Malaysia, dealers said uncertainty over the ringgit could result in more equities selling next week in a stock market that was already trading near a seven-year low.

Regional sentiment also pulled down Thai stocks. Analysts said the market had already discounted a downgrading of long-term Thai debt by Standard & Poor's Inc. to one notch above "junk" status.

Zurich Backs Away From Peregrine Stake

Hong Kong Firm Teeters after Deal Collapses

By Philip Segal
Special to the Herald Tribune

HONG KONG — One of the most swashbuckling symbols of the Asian boom of the 1990s — the Hong Kong-based investment bank Peregrine Investments Holdings Ltd. — was fighting for its life Friday, after announcing the collapse of a deal to sell a \$200 million minority stake to Switzerland's Zurich Insurance Co.

Stung by losses in Asia's stock, bond and currency markets since the onset of the economic crisis last July, Peregrine is now faced with trying to find another suitor to inject badly needed funds.

Hong Kong regulators immediately announced they had suspended the stock exchange membership of Peregrine, one of the largest Asian investment banks outside Japan. Officials said they would restrict the company's business "in the interest of the investing public."

Unlike its larger, global competitors, Peregrine is a purely Asian undertaking, with no big American or European business to cushion the blows it has taken on its home turf.

Denying rumors in the market that Peregrine was shutting its doors for lack of money, a spokesman for the company, Tom Grimmer, said: "We're not shutting down. My understanding is that we'll continue to operate this business."

The company's shares, which have been suspended from trading since Wednesday, will stay off the market until further notice, he said. "We're now considering alternatives available to us."

Also canceled is a separate purchase of Peregrine stock worth \$50 million, by

Chicago International Finance Corp., a subsidiary of First Chicago Corp. Its completion was contingent on the Zurich purchase going through. A third intended purchase by a party never identified by Peregrine has also been canceled.

The collapse of the deal was hardly a surprise after the Zurich transaction was put off earlier this week, subject to renegotiation. Zurich had second thoughts as it emerged that Peregrine could be owed as much as \$270 million by a single Indonesian debtor with ties to the Suharto family.

And given Peregrine's losses in the local stock and bond markets — it set aside \$60 million in the first ten months of last year alone to cover losses — some observers were surprised that the original deal was struck in the first place.

"We thought it was amazing that Zurich came in at all," said an analyst who asked not to be identified.

Once the brashness of investment banks that paid some of Asia's highest salaries and saw executives arrive at work in Rolls Royces, Peregrine set out in 1983 to conquer Asia by being a homegrown investment bank that would specialize in Asian securities.

During 1996 and the first nine months of 1997, it was the top underwriter of Asian stock sales. The company has 33 offices in 15 Asian countries as well as in other major financial centers.

Along the way, its aggressiveness landed it in trouble with regulators and local partners in Vietnam, Burma and South Korea.

Last year, Vietnamese authorities

See PEREGRINE, Page 14

Elusive Global Watchdogs Business Joins Bureaucrats in 'Private' Talks

By Jeff Gerth
New York Times Service

NEW YORK — The gilded Palais des Nations in Geneva is a perfect setting for the elite group of industry executives and government regulators who regularly meet there to establish worldwide auto safety regulations for the next century. A sign marked "Private" prevented anyone not part of the official 90-member delegation from entering the last gathering held in November.

As they decide public safety issues from emission standards to safety belts that will affect drivers and passengers around the world, the Geneva negotiators do not have to adhere to many of

ternational harmonization," said Mickey Kantor, who served as chief trade negotiator and commerce secretary for President Bill Clinton during his first term. "These are very important issues. But it is like they are being dealt with in a closet somewhere and no one's watching."

The final automobile standards agreement is expected by March but few consumer advocates will have had a say. There were 62 government regulators and 26 industry representatives who took part in the Geneva auto committee last November, under United Nations rules, but only one consumer representative from London and one auto club member from France.

Many U.S. regulatory operations, from those designed to prevent unsanitary meat-packing plants and adulterated drugs at the turn of the century to those put in place in the 1960s in response to unsafe cars, were created to address social concerns and before global trade was so important. Now, some of these rules are seen as bureaucratic impediments that can block markets and cause inefficiency.

Paula Stern, chairwoman of the U.S. International Trade Commission under Presidents Jimmy Carter and Ronald Reagan, is one of the architects of what she calls "entrepreneurial diplomacy."

Now paid by corporations as a trade consultant, Ms. Stern applauds the role of businesses in what she sees as a valuable effort to streamline international regulation while maintaining public protection as worldwide trade expands. She said it was possible to "adapt the necessary goals of protecting health in a way that is also the most efficient and the most streamlined and that will make the U.S. economy the most competitive."

But since the regulation and standard setting is increasingly taking place in less open or accessible international forums, like the United Nations committee, she says, safety advocates worry that their concerns will be slighted. Already, David Snyder, an assistant counsel with the American Insurance Association, has criticized the "closed door" nature of the road to Geneva.

ECONOMIC SCENE

the rules requiring openness to the public and interest groups that govern similar proceedings in the United States.

In the interest of breaking down trade barriers, negotiations like these are trying to harmonize or create common regulations for products to be sold around the world.

The auto negotiations in Geneva are on the cutting edge of this new regulatory world, where government agreements on everything from drug-testing procedures to food safety standards are driven largely by the business interests most directly affected.

At the dawn of this new worldwide regulatory machinery, it is premature to predict its impact. But corporate executives are generally ecstatic, consumer advocates are increasingly critical and many regulators from the United States have mixed feelings. This reflects the tension that can sometimes arise between the expansion of trade and the retention of high standards for safety and health.

Barely noticed outside a small circle, the international rule-making has sparked an underground debate over who gets to write the rules. Already, one of its creators is worried about the shape it is taking.

"This is about sovereignty, multinational corporations, the new post-Cold War world, global standards and in-

ternational harmonization," said Mickey Kantor, who served as chief trade negotiator and commerce secretary for President Bill Clinton during his first term. "These are very important issues. But it is like they are being dealt with in a closet somewhere and no one's watching."

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Under Negotiation

Some of the issues global rule makers are dealing with.

MOTOR VEHICLES
Standards for energy efficiency, pollution controls, and safety, including brakes, tires and seat belts, are on the table.

FINANCIAL SERVICES
Setting minimum standards for how much capital banks must hold in reserve to reduce the risk of a global financial panic is a central element in a broader review of banking regulation.

ACCOUNTING
Proper ways to account for derivatives and other financial instruments are being discussed as part of a larger effort to standardize global accounting principles.

DRUG APPROVAL
Procedures for conducting drug trials and reporting the results are under review.

FOOD SAFETY
Acceptable levels of food additives, lead content in mineral water and pasteurization of dairy products are just a few of the hundreds of standards being set by one group.

The United States wants to open up the process, but does not always get its way in international standard-setting forums. Last year, for example, Codex Alimentarius, a Rome-based group that sets global food safety standards, rejected U.S. efforts to cut in half the acceptable levels of lead in mineral water and to require dairy products to be pasteurized.

International business diplomacy was jump-started in 1995 with the creation of the World Trade Organization, which calls for single standards and shared regulatory systems across borders in the name of reducing barriers to trade.

Members of the WTO, like the United States, can theoretically retain their own higher standards, but those standards would be harder to defend before its international panels against a charge by

See TALKS, Page 14

Asians Preach Self-Help in Crisis

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — A year ago, East Asian nations jockeyed for the right to boost the highest economic growth rate.

These days, however, they sometimes seem to be competing in the race to dream up the most dramatic — and, in some cases, the most creative — responses to economic crisis.

Leading the wave is Malaysia, where Prime Minister Mahathir bin Mohamad asked his countrymen Friday to sell off overseas assets and to repatriate the proceeds to help shore up the country's foreign exchange reserves.

"Those who have assets outside the country should sell now to bring back the foreign currency and keep as savings in this country," Mr. Mahathir told a national television audience. "We want it sold in the foreign currency," he said, "and kept in our central bank."

Mr. Mahathir's plea follows a litany of other self-help measures introduced in Malaysia. Civil servants have been barred from going overseas on vacation and the government has asked people to take one lump of sugar in

their tea instead of two. (Malaysia imports most of its sugar.)

More comprehensive is a plan for Malaysians to grow their own vegetables. The country's finance minister, Anwar Ibrahim, recently urged families to start up a vegetable patch, a move also aimed at reducing the country's import bill.

Malaysian officials took the idea one step further Friday when the country's prisons department said it had started to grow vegetables and fruit in prison compounds to reduce spending on food for inmates.

The director-general of prisons, Omar Mohammed Dan, said the project could save the government 4,000 ringgit (\$850) daily in food costs for the 35 prisons in the country.

"Six prisons have started the vegetable gardening project and the first harvest is expected in two months," Mr. Omar was quoted by Bernama news agency as saying.

Even the finance minister practices what he preaches. "He has done it for a while," said Adlin Zabri, a top aide to Mr. Anwar. "I don't quite know what kind of vegetables. Many of them green, leafy types, I think."

Mr. Adlin said the vegetable growing campaign was not just done to save

money, "but also in the sense of unity in the nation."

He added, "It shows the seriousness of the government."

As other East Asian countries grapple with the ongoing financial turmoil, their programs are becoming more grassroots, as officials hope to bring the idea of austerity closer to home.

The Thai Finance Ministry is designing posters that will encourage people to push elevator buttons once — not twice. Calling an elevator more than once, the ministry calculates, costs 7 baht (13 cents) in electricity each additional time.

South Korea is encouraging cash and jewelry donations to the government. In Thailand, the government recently announced a national gold collection campaign that it hopes will bolster the country's foreign currency reserves.

Officials say Malaysia's vegetable-growing program, anachronistic as it may sound, might put a dent in the \$2.5 billion the country spends on imported food every year.

"It's more symbolic than anything else," Mr. Adlin conceded. "But in the present economic crisis, any small initiative is helpful."

U.S. Payrolls Rise, but Jobless Rate Edges Up

By Mitchell Martin
International Herald Tribune

NEW YORK — The American economy added a larger-than-expected 370,000 jobs in December, the government reported on Friday, showing little evidence of weakness spilling over from the financial turmoil in Asia.

Analysts had been expecting a gain of only about 213,000, but the report contained some conflicting information about the state of the economy. The unemployment rate, for example, edged up to 4.7 percent from 4.6 percent, reflecting growth in the labor force.

After an initial jolt, the bond market took the news well, but the stock market did not.

Bond prices rose, with the yield on the benchmark 30-year Treasury bond dropping to close at 5.70 percent from 5.74 percent on Thursday, while the Dow Jones industrial average tumbled 2.85 percent.

"The stock market is looking for any excuse to go down, and the bond market is looking for any excuse not to go down," said Lawrence Kreicher, chief economist and director of global bond research at Alliance Capital Management L.P. He said the report was basically a sign of a strong U.S. economy that would eventually put upward pressure on interest rates.

President Bill Clinton said the December report had added 14.3 million jobs in the past five years. "Our nation is on a roll," he said. In 1997, 3.2 million jobs were created, up from 2.5 million in 1996. The

total number of workers on U.S. payrolls now is 123.9 million, the Associated Press reported.

Some of the elements of the December report that indicated weakness could be attributed to seasonal fluctuations, Mr. Kreicher said. One closely watched statistic was that average hourly earnings rose 0.1 percent, less than expected. The average workweek, meanwhile, fell to 34.6 hours from 34.8 in November.

Looking at fourth-quarter averages, however, Mr.

Kreicher said the economy was growing relatively quickly, although he predicted it would slow from the even faster rates of 1997. Last year, the U.S. economy expanded by an estimated 3.6 percent.

Mr. Kreicher predicted that the gross domestic product this year would expand by more than 3 percent. He said he had not reduced his forecast to account for the weakness caused by collapsing Asian economies and currencies, but had changed its constituent parts. While U.S. manufacturers are likely to

face pressure from overseas competitors whose prices are falling as their currencies weaken against the dollar, the low-interest-rate environment that results will provide a lift for the U.S. economy.

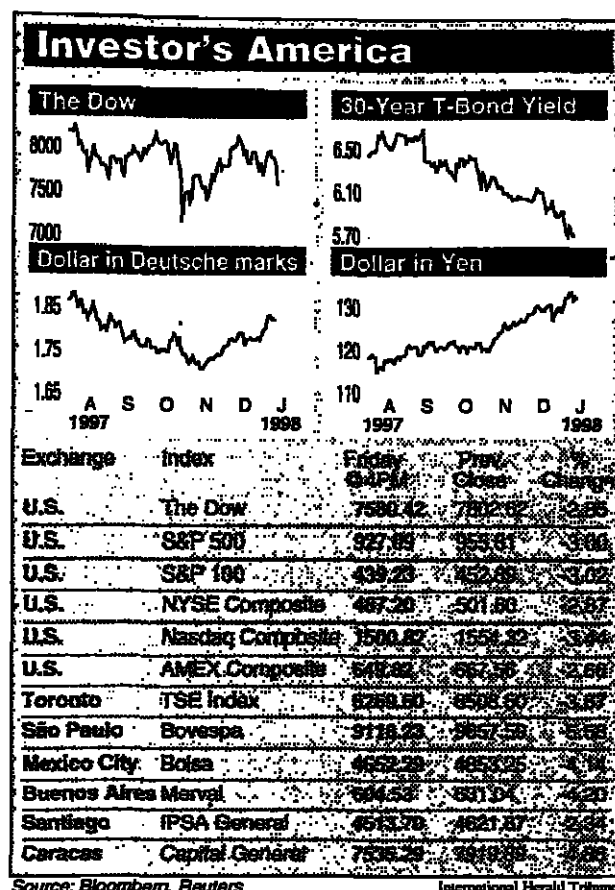
Even though he predicted the 30-year bond yield would climb to about 6.25 percent by the middle of the year, Mr. Kreicher said this was still a low level for the past 20 years. His outlook also means that corporate profits would expand by perhaps 9 percent. This would indicate stocks were a better buy than bonds.

CURRENCY & INTEREST RATES

Cross Rates										Swiss						
	Jan. 9	Jan. 8	Jan. 7	Jan. 6	Jan. 5	Jan. 4	Jan. 3	Jan. 2	Jan. 1	Dollar	D-Mark	Franc	Shilling	Franc	Yen	ECU
Australian	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	1.50	1.50	1.50	7.50	7.50	7.50	4.50
British	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Canadian	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.69	1.50	1.50	1.50	7.50	7.50	7.50	4.50
French	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.50	1.50	1.50	7.50	7.50	7.50	4.50
German	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Japanese	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
South Korea	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Swiss	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Taiwan	20.48	20.48	20.48	20.48	20.48	20.48	20.48	20.48	20.48	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Thai	54.76	54.76	54.76	54.76	54.76	54.76	54.76	54.76	54.76	1.50	1.50	1.50	7.50	7.50	7.50	4.50
U.S.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
U.K.	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Yen	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Libor Rates																
1-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
6-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
1-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
2-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
5-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
10-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
15-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
20-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
25-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
30-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Key Money Rates																
U.S.	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.K.	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Yen	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091
Other Dollar Values																
Australian	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	1.50	1.50	1.50	7.50	7.50	7.50	4.50
British	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Canadian	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.69	1.50	1.50	1.50	7.50	7.50	7.50	4.50
French	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.50	1.50	1.50	7.50	7.50	7.50	4.50
German	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Japanese	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
South Korea	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Swiss	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Taiwan	20.48	20.48	20.48	20.48	20.48	20.48	20.48	20.48	20.48	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Thai	54.76	54.76	54.76	54.76	54.76	54.76	54.76	54.76	54.76	1.50	1.50	1.50	7.50	7.50	7.50	4.50
U.S.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
U.K.	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Yen	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Forward Rates																
Australian	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	1.50	1.50	1.50	7.50	7.50	7.50	4.50
British	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.50	1.50	1.50	7.50	7.50	7.50	4.50
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French	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.50	1.50	1.50	7.50	7.50	7.50	4.50
German	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Japanese	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
South Korea	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Swiss	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Taiwan	20.48	20.48	20.48	20.48	20.48	20.48	20.48	20.48	20.48	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Thai	54.76	54.76	54.76	54.76	54.76	54.76	54.76	54.76	54.76	1.50	1.50	1.50	7.50	7.50	7.50	4.50
U.S.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
U.K.	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Yen	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Key Money Rates																
U.S.	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
U.K.	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Yen	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091
Other Dollar Values																
Australian	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	1.50	1.50	1.50	7.50	7.50	7.50	4.50
British	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Canadian	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.69	1.50	1.50	1.50	7.50	7.50	7.50	4.50
French	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.50	1.50	1.50	7.50	7.50	7.50	4.50
German	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Japanese	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	109.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
South Korea	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Swiss	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Taiwan	20.48	20.48	20.48	20.48	20.48	20.48	20.48	20.48	20.48	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Thai	54.76	54.76	54.76	54.76	54.76	54.76	54.76	54.76	54.76	1.50	1.50	1.50	7.50	7.50	7.50	4.50
U.S.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	7.50	7.50	7.50	4.50
U.K.	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Yen	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Forward Rates																
Australian	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	1.50	1.50	1.50	7.50	7.50	7.50	4.50
British	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.64	1.50	1.50	1.50	7.50	7.50	7.50	4.50
Canadian	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.69	1.50	1.50	1.50	7.50	7.50		

THE AMERICAS

Stocks Plummet as Asian Crisis Dashes Profit Hopes



Very briefly:

- Canada's unemployment rate has fallen below the 9 percent level, as Statistics Canada said the jobless rate declined to 8.6 percent in December from 9 percent in November as 62,000 jobs were created, all full-time. It was the first time the rate fell below 9 percent since September 1990.
- Microsoft Corp. Chairman Bill Gates has defended his company's right to add new features to its Windows operating system in an interview. "Unless we're allowed to enhance Windows, I don't know how to do my job," Mr. Gates said to Business Week. Mr. Gates was commenting on allegations by federal regulators that Microsoft has broken its 1995 settlement of antitrust charges by making the Internet Explorer browser a component of the Windows 95 system.
- Brazil announced it will create a new regulatory organ Jan. 16 to oversee and attract more foreign investment in its oil industry. The new agency, known as the National Oil Agency, will be responsible for awarding concessions for oil exploration and production to Petrobras SA and investor-owned oil companies that compete with it.
- Boston Properties Inc., owned by Mortimer Zuckerman and a Goldman Sachs & Co. real estate fund, said they had teamed up to buy Boston's landmark Prudential Center office complex for about \$700 million from Prudential Insurance Co. of America.

Owens Corning to Lay Off 9,000

TOLEDO, Ohio — Owens Corning said Friday it would fire 2,200 people, or 9 percent of its work force, close plants and report 1997 earnings well below expectations because of falling prices in the home-insulation business.

The maker of building materials will set aside \$170 million for the closings and other costs, about \$100 million of it in the fourth quarter. Owens Corning's shares slumped \$1.625 to close at \$32.

Compiled by Our Staff From Dispatches

NEW YORK — Stocks plummeted Friday, with the Dow Jones industrial average losing more than 220 points, its sharpest drop since the 554-point plunge last October, as concern spread that weak Asian economies would crimp demand for U.S. exports and hurt corporate earnings.

The 30-stock Dow average closed at 7,580.42, down 220 points, or 2.85 percent. Trading was heavy in bringing the Dow's loss so far this year to 328 points. Declining issues outnumbered advances by a 7-to-2 margin on the New York Stock Exchange.

Broader market indicators also

fell. The Standard & Poor's 500-stock index closed at 687.50, down 28.35 points, or 2.97 percent, while the Nasdaq composite index finished at 2,501.00, down 52.35 points, or 3.37 percent.

U.S. stocks are particularly susceptible to troubles in Asia after a three-year rally that saw share prices double, investors said.

"The best of all possible worlds has been priced into the U.S. market, and we're starting to see a fraying around the edges of that scenario," said Alan Sachtleben, chief investment officer for equities at Van Kampen American Capital.

Other analysts said that even recent economic reports showing a

robust U.S. economy with low inflation were not enough to overcome pessimism stemming from the Asian situation.

"The problems in Asia are outweighing some of the positives that

U.S. STOCKS

should boost stocks, like interest rates declining and deflation in the United States, said Brian Belaski, market analyst at Dougherty Summit Securities in Minneapolis.

Bond yields fell to a record low after a government report showed that the U.S. economy added more jobs than expected last month, dampening optimism that the Federal

Reserve Board's next move would be to lower interest rates.

The yield on the benchmark 30-year Treasury bond was at 5.70 percent, down from 5.74 percent. Bond yields have fallen more than 0.70 percentage point since late October, when plunging currencies and stocks in Asia prompted investors to flock to U.S. government securities.

The decline in bond yields did not help stocks, however. The stock market rally of the past three years was fueled by falling interest rates, growing corporate profits and individual investors' appetites for stock mutual funds. Investors value stocks partly based on risk-free gov-

ernment bond yields. The higher the yield, the less investors are willing to pay for stocks.

"This could be the catalyst to go lower," said Robert Dickey, a stock market analyst at Dain Bosworth Inc. in Minneapolis, before the jobs report was released. "Institutions try to get out of the way of falling assets, and there are too many of them in the market these days."

Oil stocks fell amid concern that demand for energy will weaken as Asia's problems deepen. Chevron, Exxon, Texaco and Mobil all fell.

Adapting the most active stock on U.S. markets, the maker of computer products said third-quarter earnings would not meet estimates because of weak North American sales.

Computer shares fell a day after Dell Computer cut prices for corporate personal computers by as much as 15 percent.

While computer companies are benefiting from a drop in the price of Asian-made component parts, the problems in Asia may eventually hurt demand for computers, analysts said.

The Morgan Stanley High Tech Index was down 19.07, or 4.2 percent, to 426.09 in late trading. Among computer shares, IBM, Dell, Hewlett-Packard, Sun Microsystems and Compaq all declined.

Shares of regional telephone companies, which have minimal exposure to Asia, were a bright spot. Bell Atlantic, Ameritech and US West Communications rose.

(Bloomberg, AP)

U.S. Outlook Lifts Dollar Against Mark

NEW YORK — The U.S. currency rose against the Deutsche mark Friday on reports contrasting U.S. economic vigor with record-high unemployment in Germany.

But the dollar fell against the yen as meetings between top U.S. and Japanese finance officials fueled

concern that central banks will sell dollars and on speculation Japan will unveil another tax cut to boost its faltering economy.

The dollar was trading at 4 P.M. at 1.8229 Deutsche marks, compared with 1.8215 DM at the close Thursday. It was at 132.150 yen, compared with 132.695 yen; at 1.4767 Swiss francs, compared with 1.4755 francs, and at 6.0925 French francs, compared with 6.0925 francs.

The pound was at \$1.6127, compared with \$1.6125.

Traders were also responding to news of higher-than-expected December U.S. job creation figures and a slight rise in December unemployment, which hinted that the Federal Reserve Board would not need to raise interest rates to cool an overheating economy.

The yen got a boost after Yoshiro Mori, a senior official of Japan's Liberal Democratic Party, said that the government may have to consider a permanent tax cut to spur consumer spending. Analysts said a 2 trillion yen tax cut proposed last month would not do much to revive the economy.

(Bloomberg, AP)

AT&T Plays the Local Game

By Mike Mills
Washington Post Staff Writer

WASHINGTON — AT&T Corp. has made its biggest move yet into the local phone market by agreeing to buy Teleport Communications Group Inc.

The \$11.3 billion deal, agreed Thursday, marks the first major effort by AT&T's new chairman, C. Michael Armstrong, to revive the company, analysts said.

By acquiring Teleport, AT&T can offer business customers local and long-distance telephone service, and data and Internet access under its own brand name. It also will be able to cut fees it pays local phone companies for access to customers. Teleport has fiber-optic

phone networks in 66 local markets across the United States. Its major shareholders include Telecommunications Inc., Comcast Corp. and Cox Enterprises Inc.

The deal will give those cable companies a collective 10 percent stake in AT&T, which raises new possibilities for cooperation between AT&T and the cable television industry. Cable operators, for example, could begin providing AT&T-branded Internet access over their cable lines. AT&T also may one day offer Internet-based telephone service to customers through the cable services.

One of Mr. Armstrong's first moves upon taking the job in October, after leaving Hughes Electronics Corp., was to sell AT&T's



C. Michael Armstrong is attempting to revive AT&T.

stake in Hughes's DirecTV unit, the cable industry's chief direct-broadcast satellite rival. Mr. Armstrong would not comment on possible future alliances with cable operators.

Late Shopping Rush Bolsters U.S. Retail Sales

By Jennifer Steinhauser
New York Times Staff Writer

NEW YORK — In a turnaround from a weak season, U.S. retailers reported strong December sales on Thursday, aided in large part by shopping that occurred after Christmas.

The Goldman Sachs & Co. same-store sales index, which compares the results of stores that have been open at least a year, reported that retail sales were up 4.4 percent in December, compared with a meager 2.9 percent gain in December 1996 and well above the 3 percent gains most retail experts were forecasting.

But underscoring the profound shift in the way America shops, those strong showings were due almost entirely to the 48 hours before Christmas

and the week after Christmas.

"Christmas arrived for us between 4 and 5 P.M. on the 23d of December," said Robert Burton, director of investor relations for Kmart Corp. "The last two weeks made the month happen." The discount retailer said that thanks to the week after Christmas, sales in Kmart stores open at least one year rose 2.9 percent for the season.

Interviews with more than a dozen retail executives and analysts made it clear that for the most part, the Christmas selling season that began the day after Thanksgiving was a disappointment — until it ended with a brawny finale as December came to a close.

"Santa came late and stayed for Christmas," said Richard

Baum, an analyst with Goldman Sachs.

Dollar General Corp., for example, a discount chain, said that holiday sales gains for the first and second weeks of the selling season were 3.6 percent and 4.1 percent, respectively, for the fourth week, same-store sales leaped 19.8 percent.

More surprisingly, the after-Christmas period, which started on Friday, Dec. 26, when much of the country had the day off, essentially bailed many retailers out of an otherwise miserable performance.

"The week after Christmas was really what pulled us up to a positive number," said Elaine Crowley, the vice president for finance for Bombay Co., a seller of home decor and furniture items.

Indeed, on the Friday after Christmas shoppers raced to the stores in search of half-price wrapping paper and tree ornaments, to redeem gift certificates and to spend their cash gifts on toys.

"The first couple of weeks of December found us below plan," said Jan Drummond, a Sears, Roebuck & Co. spokeswoman. But the few days before the holiday and the final week of the month pushed the chain's gains to a healthy 4.5 percent.

The last-minute shopping habits had merchants ripping their hair out for the better part of the season. "We are all optimists," said Michael Goldstein, chief executive of Toys 'R Us. "So you say, 'It is coming at the end.' But we were all nervous."

AMEX

Friday's 4 P.M. Close

The 300 most traded stocks of the day, up to the closing on Wall Street. The Associated Press.

Stock Price High Low Last Change

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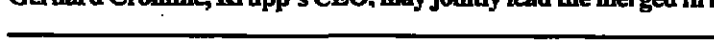
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The factory, which currently em-



Swiss Bank Corp. to form Uni



a call, up from 2 pence. It said it will raise the charge for its in-

Thyssen's chief executive. The pects of the merged company.

German plants through 2002. *Reuters, AFP, Bloomberg*

NASDAQ

Friday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
IBM	128.00	4.5	15.0	100	128.00	127.00	127.50	+0.50
Microsoft	56.00	3.5	18.0	100	56.00	55.00	55.50	+0.50
Apple	45.00	3.0	20.0	100	45.00	44.00	44.50	+0.50
Oracle	35.00	3.0	25.0	100	35.00	34.00	34.50	+0.50
Sun	25.00	3.0	20.0	100	25.00	24.00	24.50	+0.50
HP	20.00	3.0	15.0	100	20.00	19.00	19.50	+0.50
Intel	15.00	3.0	12.0	100	15.00	14.00	14.50	+0.50
Motorola	10.00	3.0	10.0	100	10.00	9.00	9.50	+0.50
Verizon	5.00	3.0	8.0	100	5.00	4.00	4.50	+0.50
AT&T	4.00	3.0	7.0	100	4.00	3.00	3.50	+0.50

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Amazon	1.00	3.0	5.0	100	1.00	0.50	0.75	+0.25
Alibaba	0.50	3.0	4.0	100	0.50	0.25	0.35	+0.15
Google	0.25	3.0	3.0	100	0.25	0.10	0.15	+0.10
Facebook	0.10	3.0	2.0	100	0.10	0.05	0.07	+0.03
Twitter	0.05	3.0	1.0	100	0.05	0.02	0.03	+0.02
LinkedIn	0.02	3.0	0.5	100	0.02	0.01	0.01	+0.01
Slack	0.01	3.0	0.2	100	0.01	0.00	0.00	+0.00
Zoom	0.00	3.0	0.1	100	0.00	0.00	0.00	+0.00
Dropbox	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
GitHub	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Netflix	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Spotify	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Spotify	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Spotify	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Spotify	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

NYSE

Friday's 4 P.M. Close
(Continued)

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
IBM	128.00	4.5	15.0	100	128.00	127.00	127.50	+0.50
Microsoft	56.00	3.5	18.0	100	56.00	55.00	55.50	+0.50
Apple	45.00	3.0	20.0	100	45.00	44.00	44.50	+0.50
Oracle	35.00	3.0	25.0	100	35.00	34.00	34.50	+0.50
Sun	25.00	3.0	20.0	100	25.00	24.00	24.50	+0.50
HP	20.00	3.0	15.0	100	20.00	19.00	19.50	+0.50
Intel	15.00	3.0	12.0	100	15.00	14.00	14.50	+0.50
Motorola	10.00	3.0	10.0	100	10.00	9.00	9.50	+0.50
Verizon	5.00	3.0	8.0	100	5.00	4.00	4.50	+0.50
AT&T	4.00	3.0	7.0	100	4.00	3.00	3.50	+0.50

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Amazon	1.00	3.0	5.0	100	1.00	0.50	0.75	+0.25
Alibaba	0.50	3.0	4.0	100	0.50	0.25	0.35	+0.15
Google	0.25	3.0	3.0	100	0.25	0.10	0.15	+0.10
Facebook	0.10	3.0	2.0	100	0.10	0.05	0.07	+0.03
Twitter	0.05	3.0	1.0	100	0.05	0.02	0.03	+0.02
LinkedIn	0.02	3.0	0.5	100	0.02	0.01	0.01	+0.01
Slack	0.01	3.0	0.2	100	0.01	0.00	0.00	+0.00
Zoom	0.00	3.0	0.1	100	0.00	0.00	0.00	+0.00
Dropbox	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
GitHub	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Netflix	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Spotify	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Spotify	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Spotify	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

Stock	Dr	Yld	PE	100	High	Low	Latest	Chg
Spotify	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
SoundCloud	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00
Bandcamp	0.00	3.0	0.0	100	0.00	0.00	0.00	+0.00

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ASIA/PACIFIC

Fearful Companies Begin Hedging Hong Kong Dollar

Bloomberg News

HONG KONG — Hong Kong companies are increasingly hedging against the risk that the Hong Kong dollar, the last in Asia tied to the U.S. dollar, may soon buckle like other currencies in the region.

As Hong Kong was pulled deeper into the region's financial turmoil Friday, bankers said companies were trying to limit their exposure in the event of a sudden devaluation. Hong Kong's benchmark stock index fell to its lowest point since May 10, 1995, and interest rates surged as pressure mounted on the Hong Kong dollar.

"We're more and more concerned," said Hou Bojian, financial controller of Guangdong Investment Ltd., whose businesses include property, hotels and brewing. The company is considering whether to hedge more and, so far, it has not decided what to do, he said.

Guangdong Investment and other Hong Kong companies together owe billions of U.S. dollars to banks and bondholders. If the Hong Kong dollar's 14-year link to its American

counterpart breaks, the cost of repaying that debt will surge.

The Hong Kong government has said repeatedly that it will keep the currency pegged at about 7.80 to the dollar. That link has helped insulate this former British colony from the currency swings roiling other Asian economies. China, which resumed sovereignty last July, insists it will defend the peg with its own \$140 billion of currency reserves if needed.

Yet the economic cost of keeping the peg — rising interest rates, declining property prices and stocks and slowing economic expansion — keeps growing. Some economists say the Hong Kong dollar would weaken as much as 20 percent if it were allowed to move freely.

A rush to hedge against the Hong Kong dollar is driving up the cost of buying such insurance. Companies typically hedge Hong Kong dollar exposure by buying forward currency contracts or cross-currency interest rate swaps.

In a forward transaction, a company buys a contract from a bank or

broker that allows the company to sell Hong Kong dollars and receive U.S. dollars at a fixed price on a later date, thus removing the risk that the Hong Kong dollar will depreciate.

Six months ago, the cost of a 12-month forward contract was nearly zero; the perceived stability of the Hong Kong dollar peg meant 12-month forward rates were almost identical to the spot, or daily, exchange rate.

Today, the 12-month forward rate is about 8.40, or more than 8 percent above the spot rate. That means a Hong Kong company wanting to hedge 100 million Hong Kong dollars into U.S. dollars would pay more than 8 million dollars to do so.

Banks also devise more complex transactions to deal with different kinds of currency exposure.

"Over the last couple weeks we've seen quite a lot more of these structures," said Keith Pogson, a se-

nior manager in the international capital markets group at the accounting firm Ernst & Young. Banks increasingly have been trying to sell such transactions to clients, who in turn show them to the accountants for appraisal.

"People are looking at them pretty seriously," Mr. Pogson said. Exporters and importers, in particular, are stepping up their efforts to hedge.

As currencies plunge across the region — the Indonesian rupiah is down 36 percent this year alone — Hong Kong must bear the economic cost of rising rates or bow to market pressure and sever the peg. Ordinary people are already feeling the pain in this regional hub for finance and trade. Home prices fell 20 percent since October and are still declining.

Adding to that pain, Hong Kong banks were forced to raise their prime lending rate Friday to 10.25 percent, the highest since June 1991,

because of the surge in their own borrowing costs. Rates are rising because investors are demanding higher and higher returns to hold Hong Kong dollars.

"The environment is very tough and a higher rate is the cost we have to pay," said Andrew Fung, treasurer at Commonwealth Bank of Australia in Hong Kong. "Given the regional crisis, it's likely we're going to live in double-digits."

Given the turmoil sweeping the region, companies that earn money in Hong Kong dollars alone are probably trying to limit their exposure, said William Fung, managing director at Li & Fung & Co. "If they think there's any chance of a Hong Kong dollar devaluation, they've been doing some hedging," he said.

Schroder Securities (Asia) Ltd. has issued a report to its clients warning that pressure on the Hong Kong dollar may grow. The firm said it expects the peg to hold "for the foreseeable future," though "at the cost to Hong Kong of high interest rates."

Hong Kong vows to continue the link to the U.S. dollar.

Investor's Asia

Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong Hang Seng	1997	11,788.35	12,707.70	-7.43
Singapore Straits Times	1997	2,608.10	2,650.70	-1.80
Tokyo Nikkei 225	1997	14,995.10	15,019.18	-0.16
Kuala Lumpur Composite	1997	491.60	507.16	-3.07
Bangkok SET	1997	349.87	360.17	-2.92
Seoul Composite Index	1997	414.00	423.96	-2.35
Taipei Stock Market Index	1997	7,737.20	7,778.16	-0.53
Manila PSE	1997	1,518.00	1,655.35	-8.33
Jakarta Composite Index	1997	342.97	347.11	-1.19
Wellington NZSE-40	1997	2,269.28	2,307.91	-1.67
Bombay Sensitive Index	1997	3,530.20	3,598.16	-1.89

Source: Telekurs

International Herald Tribune

Very briefly:

- The International Monetary Fund will begin talks with Vietnam next week about providing fresh assistance to the cash-strapped country, even though the Fund quietly cut the flow of money to Vietnam two months ago when the government failed to implement promised reforms.
- Dai-ichi Inc. will close five unprofitable stores in a major policy change for Japan's largest chain-store operator, which had refused to shut such outlets.
- Samsung Electronics Co. said it wanted to sell its 38-percent stake in Samsung Electronics Portugal Ltd., a joint venture with Texas Instruments Inc. in Portugal, as part of its move to cut costs.
- Cambodia has lowered its international long-distance telephone rates by 18 percent, the Ministry of Posts and Telecommunications said.
- Moody's Investors Service Inc. has downgraded the long-term debt ratings of Mitsubishi Motors Corp. from "A3" to "Baa2," citing the company's "deteriorating earnings and weakening debt protection measurements."
- Thailand's rice exports last year were 5.31 million metric tons, about the same as the previous year in volume, but worth 29 percent more in value, as the price in baht was bolstered by a currency devaluation in July, the Commerce Ministry said.
- India, drawing a lesson from the crisis affecting other Asian economies, will move carefully on the road to make the rupee convertible on the capital account, but sees no harm in freeing the currency, said Finance Minister P. Chidambaram.
- Credit Lyonnais Securities Asia Ltd. will cut salaries by 10 percent to 20 percent as Asia's economic crisis has forced stock brokerages in the region to tighten their belts.
- Canon Inc. has acquired a controlling 51 percent stake in Tokyo Denshi Seki K.K., a Tokyo-based company that specializes in printer-related technologies.
- United Engineers Malaysia Bhd. is expected to announce that it may sell a 32.6-percent stake in its parent company, Renong Bhd., to a third party, a person involved in the plan said.

Bloomberg, AFP, Reuters

Thai Curbs on Speculation Give Short-Term Comfort

Compiled by Our Staff From Dispatches

BANGKOK — The Bank of Thailand's latest measures to curb currency speculation to support the baht will give the market a psychological lift, but success will hinge on enforcement, analysts and dealers said Friday.

The new steps were seen as a short-term solution producing positive results only if longer-term solutions like sound macroeconomic policies and efforts to generate foreign-currency earnings were firmly in place, they said.

"Speculation is partly to blame for the plunge of the baht," a senior foreign banker said. "Tough action on it would send a good message to the market."

But, he said, "there are debt obligations to meet and bills to pay and the money is flowing out of the country and this region. That's the main reason why the baht tumbled."

The measures failed to immediately buoy the baht. The dollar continued to rise against the baht, climbing to 54.05 baht on Friday from 52.65 baht on Thursday. Since July, when Thailand allowed the currency to move freely, setting off a string of

devaluations across Asia, the Thai currency has lost half its value.

Under the new measures to curb baht speculation, penalties for foreign-exchange trading violations will be raised and each retail dollar-buying transaction under \$5,000 from commercial banks will be checked.

Surveys of foreign-exchange transactions by commercial banks will also be conducted to keep speculation in the Thai unit under check, the central bank said.

"The Bank of Thailand will look into every foreign-exchange transaction to ensure that every transaction has an underlying justification and evidence to discourage commercial banks from doing deals without underlying business," the bank said.

The central bank added that it would conduct random on-site inspections by sending its officials to commercial banks. Any bank found to be hoarding or violating rules will have its trading rights suspended.

Central bank officials will be posted in the trading rooms of commercial banks, and more documentation will be required for many foreign-exchange transactions.

The move is the latest in a series

Volvo Truck Sets Chinese Venture

Bloomberg News

STOCKHOLM — Volvo Truck Corp., the truck division of the Swedish carmaker Volvo AB, said Friday that it would establish a joint venture with China National Heavy Truck Corp. to make and distribute 20,000 trucks annually.

The Chinese State Council, or cabinet, has approved the project, Volvo said.

"It's a 50-50 venture with an explicit management responsibility for Volvo," said Stefan Lorentzon, a spokesman for Volvo Trucks.

The joint venture, which will have its headquarters in Jinan, in Shandong Province, is expected to start production at the end of 1999, Mr. Lorentzon said.

of attempts to keep Thais from hoarding dollars as the baht tumbles. Many companies are rushing to buy dollars so they can repay debts in other currencies. Finance Minister Tarrin Nimmanaheminda said recently that some banks and companies had bought dollars from the central bank to speculate against the baht. (Reuters, Bloomberg)

As Crisis Deepens, Seoul Shop Moves to Lower-End Goods

Bloomberg News

SEOUL — Shinsegae, South Korea's oldest department store, said Friday it would replace racks of expensive Brooks Brothers and Zegna suits with cheaper, domestic alternatives to cope with the economic downturn.

"We'll try to lower costs and increase productivity to keep up with declining sales," said Byun Jiu Soo, a spokesman for Shinsegae Department Store Co., which was founded in 1963.

In a country where a job for life was considered the norm until the past year, rising unemployment and a record number of bankruptcies are forcing retailers such as Shinsegae to take dramatic steps to survive.

Its \$2,000 Zegna suits were replaced with Beapole brand casual wear that is produced domestically and sells for less than \$100.

Shinsegae also will eliminate part-time positions and will no longer hire student employees, Mr. Soo said. Those workers account for as much as 20 percent of the company's 3,000-employee staff. At the same time, Shinsegae will cut inventory, seeking to pare the financing costs for merchandise waiting to be sold.

Shinsegae has also slashed prices, as much as 40 percent for some merchandise.

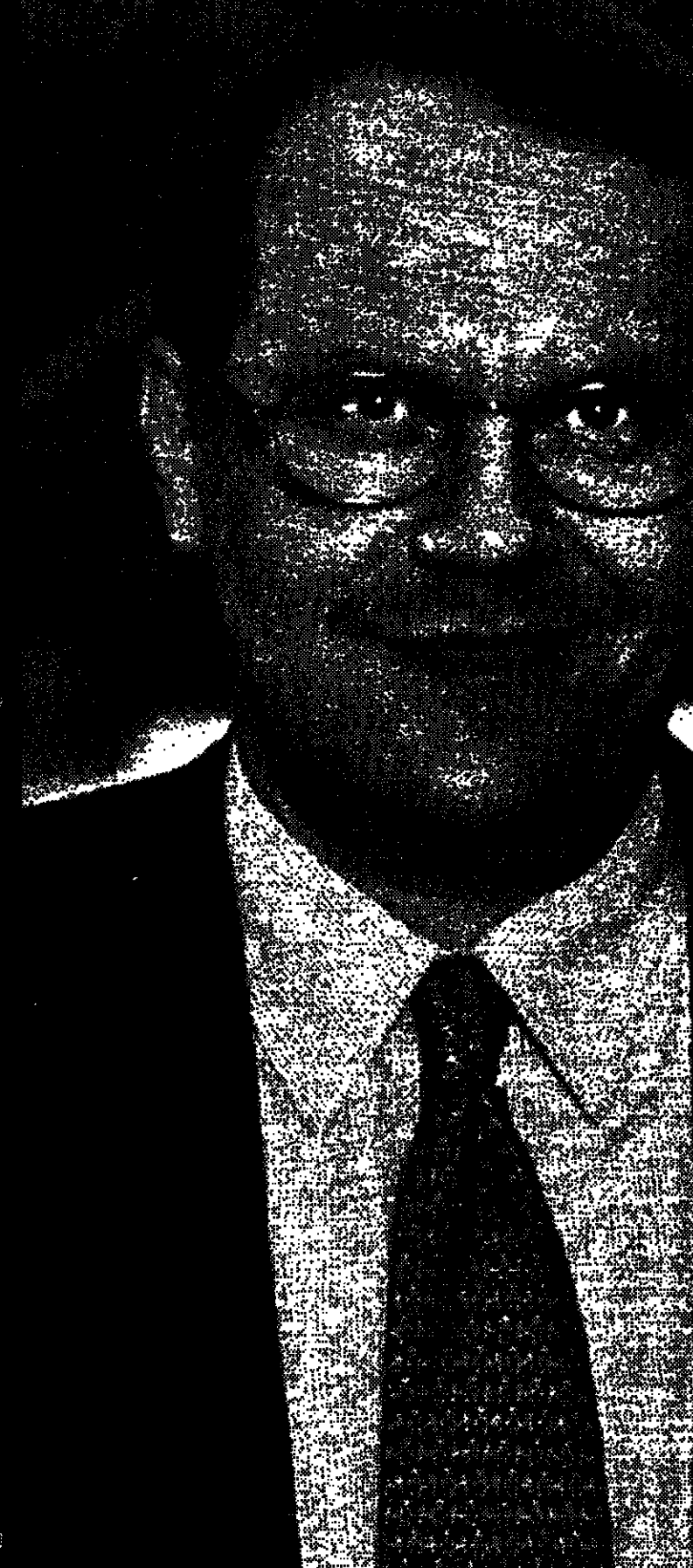
Still, with retail sales at the company's six department stores down 20 percent last year and the economy likely to contract this year, Shinsegae is facing bleak prospects.

"Retail in Korea used to be a sellers' market," said Greta Pak, a retail-industry analyst for ING Barings in Seoul. "Now it's more and more of a buyers' market." She predicted that the industry's volume could shrink by one-third when the currency and inflation rates were taken into account.

The downturn will also throttle long-term growth, as borrowing costs soar. While Shinsegae plans to open one new full-service department store in 1998, it shelved plans for four more outlets until at least after 2000.

Shinsegae is not alone in trying to lure in customers by offering cheaper wares. Another high-end department chain, Midopa Co., has allocated more space in its stores for low-profit-margin items, such as food and electronics. It is scaling back expensive items, such as clothing and jewelry.

MOST BUSINESSMEN CARRY MOBILE PHONES, JORMA OLLILA CARRIES THE WHOLE OF NOKIA.



SUNDAY PINNACLE EUROPE, 21.30 CET

*** JORMA OLLILA ***

The man that rescued Nokia from financial thin ice and made it the 2nd largest telecommunications company in the world. This Sunday Jorma Ollila talks freely about the tough past, fruitful present and his vision for Nokia and that of the telecoms industry.

On Cable and Satellite
(All times listed are CET)


21.00
World News
30 minutes of updated global news coverage including financial headlines, sports, weather and feature highlights.

21.30
Pinnacle Europe

Every Sunday, we meet Europe's top business leaders to find out what drives them, how they run their professional and personal lives and their secrets for success.

In association with
ANDERSEN CONSULTING

22.00
World News



INTERNATIONAL

U.S. Regulators May Demand Riskier Classification of Loans to Korea

By Steven Pearlstein
Washington Post Service

WASHINGTON — Although the Clinton administration has been quietly urging U.S. banks to extend their loans to South Korea, bank regulators said this week that the banks may have to set aside additional funds to reflect the added risk that the loans may not be repaid.

As the rollovers occur, we would expect the banks to reassess the risks and take the appropriate reserves," said Susan Phillips, the Federal Reserve Board supervisor in charge of bank supervision.

The issue of how to classify their Asian loans is a particularly sensitive one for U.S. banks as they try to hammer out a plan with the Seoul government for restructuring \$15 billion to \$20 billion in outstanding loans to South Korea, most of them to Korean banks.

If the U.S. banks are required to reclassify their South Korean loans as riskier, then they may have to take additional charges that could affect their quarterly profit and, the price of their stock.

The banks include some of the nation's biggest, such as Citicorp, J.P. Morgan & Co. and Bankers Trust New York Corp. All three declined to comment this week on the question of the classification of their Korean loans.

As part of the plan now under consideration, these and other foreign banks would swap some of their outstanding Korean loans for South Korean government bonds while receiving Seoul government guarantees on the loans they continued to hold. The banks would also agree to extend the terms of the loans in exchange for higher interest rates.

How bank regulators would classify those restructured loans is still unclear. All such discussions between the regulators and bankers are conducted secretly, and published regulations give both the banks and government officials wide discretion in categorizing the riskiness of loans.

But contrary to some recent press reports, top regulators said this week that they had given no blanket assurances that the banks would be able to continue to classify their South Korean bank loans as relatively riskless.

"We have not given them any guidance" on how any restructuring would be handled, said one senior federal bank official.

In particular, Ms. Phillips of the Fed said that if interest rates on the restructured loans were to increase dramatically, that would constitute an unambiguous signal from the marketplace that the loans were more risky.

Ms. Phillips also said a promise by the South Korean government to guarantee repayment of the loans would not necessarily guarantee that the loans should be treated as low-risk, but would have to be evaluated in the context of the country's overall ability to meet its foreign debts as the crisis in Asia continues to unfold.

"If those economic conditions erode, we would encourage the banks to reassess on an ongoing basis," Ms. Phillips said.

U.S. banks are supervised both by the Fed, which is the lead regulator of state-chartered banks, and the Office of the Comptroller of the Currency, which oversees nationally chartered banks. Comptroller officials declined to comment on the South Korean loan situation.

John Makin, an economist at the American Enterprise Institute who has studied past debt crises, said it would be "the height of hypocrisy" for regulators to allow the banks to treat their restructured South Korean loans as anything but highly risky.

Mr. Makin noted that Treasury Secretary Robert Rubin had publicly chastised Japanese officials for allowing their banks to hide the full extent of their bad loans — a policy that has helped to cripple the Japanese economy. But Mr. Makin fears that U.S. regulators are prepared to do the same thing here out of excess concern for restoring faith in the global banking system.

To a degree, the disagreement about how to classify the Korean loans reflects a deeper dispute about the extent of South Korea's problems.

Mr. Rubin and other Treasury officials believe that the South Korean economy is basically sound and that what it suffers from now is a temporary shortage of foreign capital caused by the sudden — and irrational — decision by foreign investors and lenders to pull their money

out of the country. That panic has temporarily left South Korean banks unable to repay their foreign loans.

But Mr. Makin and other economists argue that years of mismanagement of the economy have left South Korea with too many businesses that are fundamentally not viable and unable to repay their loans to South Korea as well as foreign banks.

Rather than being a short-term liquidity crisis, he says, South Korea is now experiencing a widespread credit crisis that will not go away until investors and lenders acknowledge their past mistakes and take their losses.

One complicating factor in this case is that if U.S. banks were to write off any portion of their South Korean loans, they would put pressure on Japanese banks — which have much greater exposure in Korea — to do the same. And because Japanese banks are already in such a precarious situation, that could worsen the financial problems in a far larger economy, one with far more complex interrelationships with the U.S. economy.

Suharto Faces Rising Calls to Resign Amid Signs of Panic

By Keith B. Richburg
Washington Post Service

HONG KONG — The political and economic uncertainty in Indonesia brought more panic-buying Friday in Jakarta's stores, and new calls for President Suharto to resign.

Jakarta, the Indonesian capital, was reported calm despite early runs on stores by thousands of jittery residents trying to stock up on rice, milk and cooking oil.

Indonesian television on Friday showed footage of warehouses stocked with rice and supplies in an effort to stave off panic and stem the crisis-buying, but the effort did not appear to have worked, with people lining up even before the stores opened in the morning.

Meanwhile, the country's powerful armed forces were placed on a low-level state of alert to deal with any possible civil unrest.

Residents said they saw increased military patrols on the capital's streets Friday, but few other signs of the heightened state of readiness.

The mood on the streets was reported to be less panicked than Thursday, when the currency, the rupiah, took a dramatic plunge to 10,000 to the dollar, prompting a spate of rumors about Mr. Suharto's health and a possible army coup. On Friday, the currency rebounded to a close of 8,150, reflecting what analysts said was a brief spell of short-term relief that the IMF was still willing to negotiate with Indonesia to rescue a \$43 billion bailout package that is in danger of falling apart.

Even as the crisis atmosphere in Jakarta abated somewhat, the country remains in the grips of political uncertainty, with renewed questions about the health and vigor of the 76-year-old president, and bold new public demands for him to step aside.

The English-language Jakarta Post on Friday ran an unusual front-page article quoting a former cabinet minister and a political scientist both calling for a change in leadership, with the latter mincing no words in calling on Mr. Suharto to resign.

"We need a president who is in good health," said the political scientist, Arbi Sanit. "Because we are facing a serious economic problem, the new president must have a good reputation and credibility, be well-experienced in the government system, be widely supported by the people and capable of mending the country's political and economic systems."

The quotes in the widely influential paper Friday follow similar calls for the president to step down from retired generals, politicians and a Muslim cleric. Such open dissent is highly unusual in what has long been an authoritarian, tightly controlled society, and is being taken by analysts as yet another sign that after more than 30 years in power — and facing the prospect of another five-year term beginning in March — Mr. Suharto's once unquestioned grip on power may finally be unraveling.

Mr. Suharto has not said whether he would seek a new term, but until now had been widely expected to do so. One problem, say longtime Indonesia watchers, is that over 30 years in power, Mr. Suharto has never groomed a successor, and if he does abruptly quit, the most likely scenario would be a direct military takeover.

Under the Indonesian Constitution, the vice president would take over if Mr. Suharto were to die or resign before the end of his term. But the current vice president, Try Sutrisno, is not considered a forceful leader.

The commander of the armed forces, Feisal Tanjung, has pledged support for the government and vowed to deal with any unrest in the lead-up to the National Assembly vote in March that will reappoint Mr. Suharto. But Jakarta has been rife with speculation that the price for the army's support is the right to place a top army man as Mr. Suharto's vice president and presumed successor.

The worst-case scenario, say analysts, would be for the president to become ill or incapacitated while in office, meaning that only his close family members — most with their own business interests surviving on government largesse — would have access to him. The family members would then have the freedom to act according to supposed edicts or directions from the president.



A shopper in a Jakarta supermarket standing before empty shelves Friday, as panic-buying swept the capital.

ASIA: Clinton and IMF Bring Relief to Jakarta, but Dow Plunges

Continued from Page 1

officials to ensure adequate supplies of rice and other staples. The military said the situation was under control and warned that it would take "repressive" measures against anyone attempting to create disturbances.

Analysts said that a strengthening of confidence in the battered Indonesian currency and economy depended on the Suharto government convincing separate teams of senior U.S. and IMF officials, who will arrive in Indonesia early next week, that Jakarta is prepared to take tougher economic measures than those outlined Tuesday in the country's annual budget for 1998-99.

Provided those talks reach a satisfactory conclusion, some economists and bankers said they expected U.S. monetary authorities and the IMF to help convince American, European and Japanese banks to roll over billions of dollars in short-term debt owed by Indonesian companies.

The companies cannot repay the money because, even after Friday's partial rebound in Asia, the rupiah was still worth about 65 percent less against the dollar than when the East Asian currency collapse began in July.

Analysts said that Thailand was also likely to get a similar debt-management deal to the one proposed for Indonesia, which would convert short-term private sector debt into long-term loans to give the region's most troubled economies a better chance to recover.

The United States and the IMF recently brokered the first stage of such an agreement for heavily indebted South Korea after telling foreign banks that new loans from international financial institutions and governments to forestall a default would not be forthcoming unless they agreed to the rollover.

Ajay Kapur, regional strategist in the Hong Kong office of UBS Securities Pte Ltd., a unit of the Union Bank of Switzerland financial services group, said that the implication of the high-level U.S. and IMF intervention in the Southeast Asian financial crisis on Friday was that "Indonesia and Thailand both need a Korea-type solution."

The rescue loans totaling nearly \$130 billion arranged for Indonesia, Thailand and South Korea by the IMF since August can be used to buttress depleted foreign exchange reserves, but not to bail out the private sector, which is responsible for most of the foreign debts of the three countries.

The IMF's first deputy managing director, Stanley Fischer, who is due in Jakarta on Sunday ahead of the fund's managing director, Michel Camdessus, on Wednesday, said that he now considered Indonesia's economy "more worrisome" than South Korea's.

According to official figures, Indonesia's debt amounts to \$133 billion. About 65 percent is owed by the private sector and most is due to be repaid this year.

The precipitous fall in the value of the rupiah in recent days sparked concerns in the United States and elsewhere about an Indonesian debt default that could spread to Thailand, hurt the fragile Japanese banking system and unravel the just-concluded agreement by international bankers to rollover the most immediate of South Korea's short-term debts for 90 days.

"If your credit is squeezed on one side, you are not going to roll over the

debt for another country," a European banker told Agence France-Presse, referring to a possible Indonesian default. "So, you can imagine what will happen to South Korea and Thailand."

State Secretary Mudiarto of Indonesia said that during the telephone conversation with Mr. Clinton, Mr. Suharto had given an assurance that he was "determined to implement seriously our program, which has been supported by the IMF."

This was seen as a significant shift by Mr. Suharto after he presented an expansionary budget on Tuesday that failed to conform with a number of the key reform and austerity measures required by the IMF as a condition of the \$40 billion loan package to Indonesia.

The measures included deep cuts in government spending, tight monetary policy and a systematic cleanup of the Indonesian banking sector.

In an apparent gesture of sincerity, the Indonesian military said on Friday that it planned to delay the purchase of 12 Russian Su-30K fighters, estimated to be worth more than \$400 million.

Jakarta decided to buy the Russian planes in August after it canceled a deal to buy nine U.S. F-16 jets following criticism in the U.S. Congress of Indonesia's human rights record.

In Washington, a senior administration official, who asked not to be identified, said that Mr. Clinton had spoken to Mr.

Suharto for 20 minutes and "underscored the importance of Indonesia within the region and to the United States," while also making it "quite clear that the IMF program needs to be followed."

Michael McCurry, the White House spokesman, said Mr. Clinton was sending Deputy Treasury Secretary Lawrence Summers to Indonesia, Thailand and other Asian countries to spell out the administration's position on the region's economic crisis and seek the views of Asian leaders. The goal of the trip was to negotiate a "strengthening and acceleration" of Indonesia's \$43 billion international bailout.

Mr. Summers said that it would be "crucial for Indonesia to carry through on policy commitments that it has made in the context of the IMF program, particularly with regard to measures to reform and clean up the financial system, to adjust monetary policy and to control public infrastructure spending."

Critics have charged that Mr. Suharto does not want to implement some of the most painful IMF reforms because they could cause social and political unrest ahead of presidential elections in March and hurt the extensive business interests of his relatives and friends.

Mr. Suharto, 76, has not said whether he will run for a seventh five-year term, but he is widely expected to do so despite his age, doubts about his health, and increasing calls from critics for him to make way for a younger successor.

CRISIS: G-7 Fears Default by Indonesia

Continued from Page 1

expected to arrive early next week.

Mr. Summers is to leave Washington on Saturday, and is expected to reinforce the message already delivered by President Bill Clinton, who telephoned Mr. Suharto on Thursday to express U.S. willingness to expand its financial assistance to Indonesia provided the government there took immediate action.

Top U.S. and European financial officials, along with IMF and World Bank executives, have been holding round-the-clock consultations over the past 48 hours.

They are in agreement that if the Indonesian crisis is to be resolved, Mr. Suharto must accept the need to put the IMF's program into effect, while also providing a clear signal that he has chosen a designated successor.

This could be achieved, the officials say, if Mr. Suharto were to name a vice-presidential running mate before the

elections scheduled for March. The lack of a clear policy statement by Mr. Suharto thus far was described by officials as a political problem with financial ramifications.

Aside from the debt problem, the other major concern shared by Washington, the IMF and its European allies was the degree of depreciation of the rupiah, and the spillover effect this was having on its neighbors in Asia.

"The Indonesian problem cannot be solved unilaterally either by an enhanced international rescue package or by credit arrangements by international banks," said Mr. Malloch-Brown, the World Bank official. "We need a third party to the efforts and that is a demonstrated commitment to reform by the government."

The other two legs — an official bailout or any arrangement the commercial banks may enter into — will not be enough unless the markets see a credible reform commitment," he added.

PEREGRINE: Zurich Backs Away From Bid for Stake in Bank

Continued from Page 9

fixed-income department at Lehman Brothers in Hong Kong, promising to help create a local bond market, a move Andrea Lee, the head of Peregrine's fixed-income unit, called "Business for Asia to finance Asia." "In little more than two years, the bond-sales unit's staff of fewer than 20 grew to more than 200.

Flashed cars and giant payrolls aside, the fixed-income business proved costly this year, because Peregrine specialized in local-currency bonds. As currencies such as the Indonesian rupiah have lost more than half their value in the last year, the value of bonds denominated in rupiah and sitting in Peregrine's inventory plunged.

Hundreds of Indonesian and other Asian companies have borrowed dollars but have revenue in local currency.

Eager for financial support, Peregrine announced late last year that Zurich would take a 24.1 percent stake in the company, but would still get a veto over major board decisions.

That deal began to unravel this week, after it emerged that Peregrine was owed as much as \$270 million by Steady Safe, a small taxi and bus company in Indonesia with links to a company controlled by the eldest daughter of President Suharto. That debt alone amounted to almost one-third of Peregrine's total shareholder funds.

TALKS: Who Is Regulating the World?

Continued from Page 9

another country that they represent a barrier to imports, according to trade experts. There are few legal precedents. More and more standards are likely to be set in such global forums.

The same week as the Geneva meeting, 70 corporate leaders from the United States and Europe gathered at the Excelsior Hotel in Rome. They drafted plans for streamlined government regulation of many industries, like chemicals and agribusiness, and acted at the behest of their respective governments. The group, the Trans-Atlantic Business Dialogue, was conceived in December 1994 by Commerce Secretary Ron Brown. In November 1995, six months before his death in a plane crash, Mr. Brown attended the group's first meeting, in Spain.

"We should put the business 'horse' before the government 'cart,'" he told the group. The business leaders recommended that their governments create common regulations, a plan adopted by Mr. Clinton and European leaders at the end of 1995. The industrialists also called for common auto safety regulations through a United Nations committee — the same committee that met last November in Geneva.

But the emphasis on business first bothers negotiators like Ricardo Martinez, the U.S. auto safety czar, who was at both the Geneva and Rome meetings. Mr. Martinez, the head of the National Highway Traffic Safety Administration in Washington, thinks global regulation can be helpful to both industry and consumers. But he is concerned that the Trans-Atlantic Business Dialogue and U.S. automakers put too much emphasis on knocking down trade barriers rather than raising safety standards.

"I have great concerns that the perspective is not broad enough to respect the real issues of safety and health," Mr. Martinez said in a recent interview in Rome. "The dialogue so far has been very much one-way."

Mr. Martinez, 42, took office in 1994 with an unusual background for a regulator. Before he joined the National Highway Traffic Safety Administration, he was an emergency-care physician who attended to the victims of motor vehicle accidents, the leading cause of death for Americans under the age of 44.

From the outset, Mr. Martinez had concerns about a lack of openness. In April 1996, he attended an industry conference in Washington where auto executives asked governments in Europe and the United States to follow their detailed road map to common international regulations.

That conference was not open to the public, either. Mr. Martinez, who was invited to attend, told the group he was sympathetic to their goals, provided there was no degradation of safety and more public involvement.

Over the next few months National Highway Traffic Safety Administration officials and auto executives listened to consumer and safety advocates. The agency held a public hearing, but by then an agreement for Geneva was already drafted.

Safety advocates, used to playing a significant role in federal rule-making, complained of being left out of the early planning.

"Only when the train was well down the track were the groups brought into the process, after there had been closed-door discussions between governments and automakers and the momentum toward an international agreement was clearly established," said Mr. Snyder, a safety advocate who works with a group of American insurers. By contrast, consumer groups and ordinary Americans weigh in loudly on a variety of safety issues in the United States, both at public hearings and through the public comment periods that are mandated before any new regulation is approved.

Mr. Snyder cites the recent dispute over air bag safety for children as a vivid example of the critical role advocacy groups play in shaping regulations.

In response, the carmakers say that

promotion of trade by governments can improve, not lower, safety standards. "International trade is significant to the nation, it can advance safety by creating more opportunities" for countries to create a "best practice," said Vann Wilber of the American Automobile Manufacturers Association.

It is not easy to combine European and U.S. standards. Europe has higher standards in some areas and lower in others. American carmakers certify their own products, while governments perform that job in Europe. European regulators say the United States is asking for too much control over the process.

They complain that more openness, while pushing for more openness, is leading a charge to intimately involve Detroit in the process. French officials "don't accept that businessmen can sit down and set policy," a regulator said.

Mr. Martinez flew to Geneva last November carrying Washington's "draft agreement concerning the establishing of global technical regulations for vehicles, engines and components," which called for the achievement of "high levels of safety" as well as the reduction of "technical barriers to international trade." It had been revised to address some, but not all, of the concerns of safety advocates.

For some, its twin goals of safety and trade can conflict. Mr. Snyder, the insurance lawyer, criticized the agreement for not calling for the "highest attainable levels of safety," a point Mr. Martinez called "constructive."

But Ms. Stern, who serves as a member of Mr. Clinton's Advisory Committee on Trade Policy and Negotiations, sees no inherent conflict.

Indeed, she questioned the role played by consumer advocates in the United States. In congressional testimony last September, she cited various "obstacles" to regulatory reform, including "strong grass-roots citizens organizations and their congressional champions," who achieved legislation that "give ample time for comment, input and representation by any interested party but also have the effect of retarding or even blocking regulatory change."

By moving some rule-making to an international setting, Ms. Stern added, corporations on both sides of the Atlantic "have become a chorus to their individual governments, so the governments can't run and hide and use many of the excuses governments typically resort to."

In fact, business is not just the chorus, but often plays a starring role. In December 1996, as Mr. Clinton and European Union leaders announced a deal to begin recognizing each other's regulatory systems in several product areas, he thanked "the Trans-Atlantic Business Dialogue for their leadership in achieving these agreements."

Then, Mr. Clinton responded to a question about the agreement by turning to Dana Mead, chairman of Tenneco Inc. and the co-chairman of the Trans-Atlantic Business Dialogue. It was Mr. Mead, not the president, who answered the question.

Malaysia Official Invites IMF Chief To Visit for Talks

Bloomberg News

KUALA LUMPUR — Finance Minister Anwar Ibrahim said Friday that he had asked Michel Camdessus, managing director of the International Monetary Fund, to visit Malaysia next week for talks.

Mr. Anwar said Malaysia was not joining Thailand, South Korea and Indonesia in seeking help from the IMF to shore up its financial system. The discussions would be only "consultative," he told reporters without elaborating.

Officials at the Fund's regional office in Tokyo were not available for comment.

Mr. Anwar's comments come at the end of a week in which Asian currencies have slumped as investors scrambled to buy dollars on concern that companies will not be able to pay their foreign debts. Malaysia's currency, the ringgit, has lost 16.4 percent of its value this year, after losing 35 percent in 1997.

But Malaysia posted a bigger-than-expected trade surplus of 700 million ringgit (\$148.8 million) in November, swinging from a trade deficit a month earlier, as the weak ringgit boosted exports, the state press agency Bernama reported Friday.

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Q & A / Gil McWilliam



Gil McWilliam: Brands only have value if they solve a problem for clients.

Cachet Management And Mismanagement

Handling of Famous Name Is Key to Its Value

GIL MCWILLIAM is a professor of marketing at London Business School and has been a consultant to communications and marketing companies in Europe, advising on brand development and strategy. She spoke with Conrad de Aenlle about lessons for investors in how companies manage—and mismanage—their brands.

Q. Shares in companies that own some of the most famous luxury and mass-market brands have fallen sharply. Does a famous name no longer have the cachet it used to?

A. The fashion-house brands which are in trouble at the moment are partly caught in a piece of pessimism about future revenues. They will all show that the stock market doesn't understand long-term investment in brands and requires short-term profits. This might be true, but it is not really much different for them, compared with other branded companies. I don't think it has anything to do with losing cachet. I think it's to do with confidence in their management structures and confidence in revenue streams at times of economic quivering.

Q. The perceived importance of brands seems to go in cycles. The last bottom was in 1992, when Philip Morris Cos. cut prices on Marlboro cigarettes. Does the recent share-price decline mark a top in the cycle?

A. I don't agree with the underlying assumption. Brands have been important for an awfully long time. By drawing the attention of the stock markets around the world to the importance of brands, companies also drew their attention to how well they were being managed. Companies can and do get it wrong. The share price tends to suffer in the short term, but if they are strong brands with strong management, then it will recover. Look at Coke.

Q. Which would worry you more as an investor: when earnings fall due to economic circumstances, such as the Asian turmoil, or to problems specific to the way a company manages its brands?

A. I'd always worry about the way the brands and companies are managed. **Q.** Some retailers, such as Tesco PLC in Britain and Sephora in France, are cutting prices on prestige brands and stocking them on shelves as if they were Brand X, to the consternation of manufacturers. How can the owner of a brand maintain its value in such an environment?

A. Some manufacturers have a good handle on this since they are either buying into retail or they are consciously searching for new forms of distribution to complement that which they already have. For example, Sephora was bought by LVMH recently. LVMH already owns 65 percent of DFS, which owns 180 retail outlets in Asia. It also has an Eastern European pharmacy chain in its portfolio of companies. Similarly, L'Oréal took full control of Cosmair, its U.S. distribution arm. An alternative strategy would be that of Chanel. In a September statement, they spoke of a plan to open their first free-standing fragrance and cosmetics store in spring 1998 on the Rue Royale in Paris.

Q. How important is it for managers to update either their brands' images or the brands themselves? It does not always work. Remember New Coke?

A. There is always a tension between innovation and maintaining consistency. The trick is to know what to change when. Arguably that which should be rarely changed is the vision of the brand and what it stands for. This can be changed, but it should be done rarely, and with care and time. Advertising execution can change every year, although perhaps the advertising strategy will not. Packaging also requires regular updating, but not so frequently if there are elements which are fundamental to brand identity, such as the Coke or Perrier bottle. Logos change, in often very subtle ways over time, too.

Q. In which industries is it hard to take advantage of a brand name and hard to gauge a brand's value?

A. It is hard to gauge a brand's value in any industry. Brands only have value if they solve a problem for their customer. Sometimes that value is about reducing risk by providing guarantees of consistency or functioning, sometimes about self-expression and choosing between certain images, sometimes about hedonic qualities. Above all they involve choice, and that means the customer has to be able to discriminate between competitive offerings. If there is no differentiation, there can be no discrimination, and customers will buy on price and availability and brands have no role to play.

Q. The cachet of mass-market brands can go up with increased usage, thanks to market exposure and peer pressure, but with luxury goods, more is better up to a point, then more is worse. How should this basic distinction be factored in when judging the worth of a brand?

A. Again, it's a question of good management and brand husbandry. If you have spread your brand over 400 products, it is very difficult to manage or police the quality of all of these products. So you get tacky products with your name on them, and you will suffer accordingly. This is what has happened to the Pierre Cardin name.

Q. Once a brand loses its cachet, what can be done to resurrect it, and when is it worthwhile for investors to take a chance that a turnaround will succeed?

A. Brand rejuvenation can happen. Look at Brylcreem. As a strategy, it will succeed only if there is total coherence about the elements of the strategy—the marketing mix of product, price, distribution and promotion—and sometimes you need time, too. Investors aren't notoriously given to patience, but if you can convince yourself that all the elements are right and in place, then time may be all the company requires.

When Bad Things Happen, Even the Best May Not Resist

But for Leading Brands, Astute Crisis Management Often Keeps the Effects of Adverse Publicity Short-Lived

By Barbara Wall

STOCKS OF companies that make famous brand-name products are widely perceived to be good defensive investments, offering a security of earnings that manufacturers of non-branded products are seldom able to match, but there are limits to the defensive nature of these stocks. Bad news and poor brand-management can have a disastrous, if sometimes short-lived, impact on a company's share price.

Gary Davis, professor of management at Manchester Business School in Manchester, England, said that while adverse publicity can affect a company's rating, bad news alone rarely inflicts lasting damage on the share price and should not be seen as a signal to divest.

"When Tylenol, a leading brand of analgesic manufactured by Johnson & Johnson, had to be withdrawn from the market temporarily after it was allegedly tampered with, J & J's share price fell by around 3 percent," said Julian Hardwick, a food manufacturing analyst at ABN-AMRO Hoare Govett in London, "but within a few years it had bounced back again to normal levels. Some analysts have suggested that one could generally expect minor

bad news to swipe around 5 percent off a company's share price. The news would have to be very serious for the stock valuation to drop-off completely."

The share price of Vitasoy Inc., a Hong Kong-based soft-drinks manufacturer, took a beating when the company was forced to close its production plant last January after bacteria was found in some of its soy milk products. But strong brand-recognition and good crisis management enabled the company to bounce back within months, according to reports at the time.

"The share price fell by around 20 percent once Vitasoy admitted that it had a problem," said a spokesman for Bank Indonesia W.I. Carr in Hong Kong. "The incident happened at a time when the company faced increasing competition from Western soft drinks companies. Nevertheless, Vitasoy is such a well-respected name among consumers in Hong Kong that it was only a matter of time before it was able to resume normal trading and claw back its market share."

Mr. Hardwick said the effect of bad news on a company's rating largely depended on company size and the number of brands it controls.

"When Persil Power washing detergent—a leading brand of Unilever PLC—was withdrawn from the mar-

ket following reports that it rotted clothing, it took around five years for Unilever's share price to recover," Mr. Hardwick said. "In reality, the incident had no impact on the overall profitability of Unilever because of its size and the success of its other brands."

Occasionally, bad news can have a positive impact on a company's standing. One British food analyst suggested that the Persil Power debacle shook up the management team at Unilever and forced them to take a fresh look at their products and marketing strategies, thus helping them to maintain their No. 2 position in the detergents sector.

Given that many leading brands have been able to weather the effects of adverse publicity, some investors might be tempted to buy into a company when bad news strikes the share price. But Mr. Davis did not recommend this strategy, for there have been cases of bad news bringing down a corporation.

Ratner's, once a leading chain of retail jewellers in Britain, went out of business largely as a result of adverse publicity. When Gerald Ratner took over the company from his father in the early 1980s, he changed its focus from a respectable, if hand-drawn, retailer to a bargain-basement jewelry discount store. Under his management, the company went from strength to strength,

Mr. Cochez is high on the prospects of Coca-Cola Co. and its rival PepsiCo Inc. because the two have the huge market virtually to themselves.

"We are positive on the outlook for the global soft-drink business," he said. "Other consumer-product industries are not as favorable because [there are] more local-market competitors. In opposition to the beer market, soft-drink companies can really have a global approach because of the industry's shorter history, less powerful local brands and minimal differences in local product tastes."

Other companies he likes include Nestle SA, which he said has "superior fundamentals but lower valuation," and Unilever PLC, "one of the European businesses, which has built a sustainable competitive advantage and looks capable of higher returns." He also owns Campbell Soup Co. and Sara Lee Corp. and he recently sold LVMH.

Two factors that augment the value of brands in any industry are solid management and market leadership. "Brand meanings are created, developed and maintained by good management; they rarely just happen," said Gil McWilliam, a professor of marketing at London Business School. "Brand management is no different from good management in general. The brand is the summation of all [of a company's] activity, the visible bit of the iceberg."

There are exceptions. Some well-known and respected brands belong to some of the worst-run companies: South Korea's industrial conglomerates.

These chaebol, egged on by a government keen to foster national cham-

pions in the global marketplace, expanded into far too many businesses for their own good, leaving them with too much debt and production capacity. Shares in many of the main companies in these groups suffered losses on the scale of 75 percent from 1995 until spring 1997—before the Asia currency crisis started having its effects on South Korean stocks.

But Simon Nicholson, a portfolio manager at the Gartmore fund company, said the chaebol's ambitions may still pay off. Their expansion, he argued, has given the companies their valuable brand recognition among consumers. "They've concentrated huge amounts of financial firepower on certain industries, so they've carved themselves a niche," he said. "Ask anybody on the street and they can probably name three or four Korean companies."

In Britain, Ms. McWilliam said, Dae-woo has done the best job among the chaebol of creating a brand identity in the auto sector.

"It seems to be fast developing a good strong reputation in the car market, with its own network of distribution, and heavy advertising spend," she said. "Hyundai, for cars, I think would be behind in terms of recognition, but still have a reputation amongst private car buyers at the cheaper end of the spectrum—not a bad reputation, either." Samsung, by contrast, is known as one of many consumer-electronics maker, while LG, the former Lucky-Goldstar, has poor recognition, she said.

Being a market leader, Ms. McWilliam said, gives a company leverage with retailers and distributors, as well as the wherewithal to fund a fat advertising budget to keep its name before the public and make it costly for newcomers to enter the market.

Leaders also command the public's trust and so are in the best position to introduce new products, continually forcing their rivals to catch up.

In some technology fields, there is a bonus to being on top because of the tendency to gravitate toward a single industry standard. That is why Microsoft Corp. shareholders have prospered and Apple Computer Inc. owners have not.

Some companies manage to get by or even thrive in spite of lagging market share, Ms. McWilliam said. Clever small operators, such as Richard Branson's Virgin Group, trade on a rebel image.

Old orders change, though, making it critical for companies to freshen their

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سكزا من الأصل

THE MONEY REPORT

The Dogs of the Dow Gimmick May Indeed Be an Investor's Best Friend

WITHOUT A DOUBT, the single most popular stock-picking gimmick in the world is the strategy called the Dow 10, or Dogs of the Dow. "Gimmick" sounds like a derisive word, but I have a lot of respect for the Dow 10. First of all, it works. Second, and more important, it offers one of the few easy ways to become a disciplined investor.

The system is simple. Scan the list of the 30 stocks that comprise the Dow Jones industrial average and find the 10 that have the highest dividend yields. Invest equal amounts in those 10 stocks. Then at the end of 12 months, sell the stocks and repeat the process.

The list changes constantly. As of Jan. 8, the stocks were J.P. Morgan & Co., Philip Morris Inc., General Motors Corp., Chevron Corp., Eastman Kodak Co., Exxon Corp., Minnesota Mining & Manufacturing Inc., International Paper Co., E.I. du Pont de Nemours & Co., and Caterpillar Inc.

It does not matter when you start, as long as you lock in the portfolio for a

full year. Or, easier yet, call your broker and buy one of the unit investment trusts that use the Dow 10 strategy.

How good is the system? Very good. In his new book, "How to Retire Rich," the money manager James O'Shaughnessy writes, "Over the last 15 years, this simple strategy has beaten 95 percent of all traditionally managed mutual funds. When you look at longer periods of time, it's done even better."

Mr. O'Shaughnessy tested the results of the Dow 10 back to 1952 and found they produced an average annual return of 17.0 percent, compared with 13.8 percent for the Standard & Poor's 500-stock index. If you had put \$1,000 into the Dow 10 in 1952, you would have \$810,000, compared with just \$230,000 million with the S&P.

In the past seven years, the Dow 10 has returned 24.8 percent, compared with 21.4 percent for the S&P. In fact, the Dow 10 has beaten the full Dow in 20 of the past 27 years. The system whipped both the Dow 30 and the S&P

in every year from 1991 to 1996. (In 1997, however, the string was broken.) It is no wonder, then, that the assets of one of the unit trusts that invests in the Dow 10 have soared from \$56 million in 1991 to \$14 billion last month.

Most systems are bunk, but the Dow

of all stocks. He created a portfolio of the 50 highest-yield stocks each year and found that since 1952 it produced lower returns at higher risk than the market as a whole.

The reason, almost certainly, is that many high-yield stocks are basket

reinvest most of their profits rather than passing them out to shareholders. Others will be Dogs just about every year, notably the two oil companies (Exxon and Chevron) and the one bank (J.P. Morgan) since they are in industries that usually offer high payouts.

But the Dow 10 system works despite this skewing. One reason for its success is that high-dividend Dow stocks are less volatile than the rest of the market — there is less risk that they will plummet, because their prices are not in the stratosphere and because the dividends cushion the fall.

side and less downside: that is a trade-off that makes sense in a market that appears as overvalued as this one.

Funds that invest using the Dogs of the Dow principles:

- **DEFINITE ASSET FUND SELECT TEN PORTFOLIO** is sold through brokers at BancBoston, Johnson Smith Barney, Prudential and Morgan Stanley Dean Witter.
- **HENNESSY BALANCED FUND** call 1-800-899-1555, or toll-free in the United States, 1-800-464-3343, or visit the Web site at www.hennessy.com. The fund invests half its assets in one-year U.S. Treasury bills and the rest in Dow dogs.
- **O'SHAUGHNESSY DOGS OF THE MARKET FUND**, managed by Mr. O'Shaughnessy himself. Telephone: 1-201-860-7148, or toll-free in the United States, 1-800-797-0773. Web site: www.oshaughnessy.com. The fund includes Dow 10 plus 20 similar stocks.
- **PAYDEN & RYGE**, European Growth & Income Fund, call 1-800-826-1988, or toll-free in the United States, 1-800-572-0736, or visit the company's Web site at www.payden.com. Payden & Ryge currently accepts only U.S. citizens as investors (see its funds).
- **VAN KAMPHEN AMERICAN CAPITAL** offers and invests half its assets in Dow Dogs, the other half in U.S. stock markets individually and jointly for the three markets. Its funds are sold through investment advisors who invest in the United States and its territories. For more information, call toll-free, 1-800-225-2222, or visit the company's Web site at www.van.com.

THE MUTLEY FOOL Web site, www.mutleyfool.com has information on Dogs of the Dow strategies.

THE MONEY REPORT will have information next week on international Dogs strategies.

JAMES GLASSMAN ON INVESTING

10 has, at its heart, a stout principle: it is a method for finding bargains among solid companies.

A stock's yield is merely its expected dividend payments for the year ahead in dollars divided by its price. Dividends are a good measure of long-term profits, and price, of course, is the best measure of the market's enthusiasm for a stock. If the market is sour on a company, but profits remain good, then yield will be high.

But beware. Simply buying any stock that has a high dividend yield can be a mistake. In his book "What Works on Wall Street," Mr. O'Shaughnessy tested the proposition with a universe

cases. Their low prices may be fully justified, and their indicated yields may be fictional since they are about to lower or suspend their dividends.

But Dow companies, selected for the index in part because of their size, soundness and longevity, are rarely in danger of collapse. So high yields are more likely to be a sign of a bargain price rather than an imminent encounter with bankruptcy court.

Of course, different companies have different dividend policies. Some Dow stocks, such as Walt Disney Co. and Wal-Mart Stores Inc., which traditionally have yields below 1 percent, will never be on the Dogs list because they

reinvest most of their profits rather than passing them out to shareholders. Others will be Dogs just about every year, notably the two oil companies (Exxon and Chevron) and the one bank (J.P. Morgan) since they are in industries that usually offer high payouts.

But the Dow 10 system works despite this skewing. One reason for its success is that high-dividend Dow stocks are less volatile than the rest of the market — there is less risk that they will plummet, because their prices are not in the stratosphere and because the dividends cushion the fall.

The Dow 10 has lost money in only two of past 27 years, and in both cases the declines were small, 3 percent and 7 percent. By contrast, the Dow 30 lost money four times — three times in double digits. In 1973 and 1974, the S&P fell a total of 37 percent, but the Dow 10 gained 5 percent.

Last year was typical. All 10 of the Dogs of the Dow produced positive returns, but five of the 20 remaining Dow stocks suffered losses. Less up-

Big Names at the Top: The Risks and Rewards of Betting on Charisma

By Digby Lerner

PERSONALITY counts a great deal in business. Chief executives such as Microsoft Corp.'s Bill Gates, Virgin Group's Richard Branson and George Soros of Quantum Fund Management LLC are arguably as well known as the corporations they represent.

Investors are well aware of the value of having media-savvy tycoons heading the corporations into which they buy. When Time magazine named the 10 most powerful people in the United States last year, the list included seven corporate chief executives. Mr. Gates was second — just behind the U.S. president, Bill Clinton. Rupert Murdoch of News Corp., Michael Eisner of Walt Disney Co. and Andrew Grove of Intel Corp. were also included.

Katherine Garrett-Cox, U.S. fund manager with Hill Samuel Asset Management in London, said analysts consider quality of management to be the biggest factor in making investment choices.

"Well-known and charismatic managers clearly add a premium to their company's share price," she said. "If you buy into shares such as Berkshire Hathaway, Microsoft and Intel, it's because you know who their CEOs are and you expect their businesses to outperform the average. You have to back good managers."

Investors who believe in tracking indexes would do better to place their faith in famous managers, she added.

Figures seem to bear this out. In the last five years, the value of the Dow Jones industrial average increased 238 percent. Many respected portfolio managers will have underperformed this figure — according to some analysts the failure rate is as high as 70 percent.



George Soros: An executive as famous as his fund.



Richard Branson: Creator of Virgin's rebel image.



Andrew Grove: Intel's chief adds premium to shares.



Michael Eisner: From Disney, a record-setting payday.



Bill Gates: The star upon whom Microsoft has risen.

But consider the performance of some famous chief executives. The shares of Berkshire Hathaway Corp., the U.S. holding company headed by Warren Buffett, grew 383 percent in the last five years. Mr. Grove, chief of the microcomputer-component maker Intel Corp., helped push his corporation's shares up 585 percent. The daddy of them all was Mr. Gates and Microsoft Corp.: its share price increased 698 percent over the period.

Unfortunately, there is a downside. If outperforming other stocks depends entirely on one personality, the share price is highly vulnerable to his or her departure.

In October, the death of Coca-Cola Co.'s chief executive, Roberto Goizueta, pushed the company's shares down more than 10 percent in a matter of days.

To many people, Mr. Goizueta personified the American dream. In 1960, he arrived in the United States as a refugee

from Cuba with only \$40 and 100 shares in Coca-Cola Co. His was a legendary rise, from the company's technical and engineering division to chief executive. Taking over Coca-Cola when it was debt-ridden and in decline, he made it the world's leading soft-drink manufacturer.

In the weeks before Mr. Goizueta's death, news of his cancer had put downward pressure on the share price, despite the existence of a succession strategy that named the chief financial officer, M. Douglas Ivester, as his chosen heir.

Not all analysts are unduly worried about this phenomenon. Chris Fishwick, an analyst with Aberdeen Asset Management in London, said that although investors often panic when a well-known manager dies, the damage tends to be temporary. Indeed, Coca-Cola's shares have climbed back to about \$66, 10 percent higher than before Mr. Go-

izueta's death.

"Shareholders enjoy heroes, so there's bound to be a negative impact when a charismatic corporate head dies," Mr. Fishwick said. "People are always nervous that the new managers will go off at a wild tangent. In fact, most have built the infrastructure needed to keep their philosophy alive. As soon as investors see nothing has changed, the price picks up again."

He added that the role of a charismatic leader is often a factor in getting a corporation established, but that at some point the brand builds enough momentum to overcome the individual.

"It happened with companies like Ford and Kellogg," he said. "The brands have a life of their own."

The same is true of more-recently established brands, he said. Mr. Branson, who is possibly as famous for his hot-air

balloon flights as for heading Virgin, is one example, Mr. Fishwick said.

Because the business is privately owned, there are no shareholders who will worry about Mr. Branson's escapades. But in October, the chief executive of Mr. Branson's European airline, Virgin Express, announced plans to sell about \$100 million worth of shares on the U.S. Nasdaq exchange. Mr. Fishwick said that once Virgin Express is publicly quoted, Mr. Branson is not likely to feel compelled to defend his shareholders' interests by giving up ballooning.

"There was a time, probably about 10 years ago, when Virgin's fortunes were inextricably linked to Mr. Branson's," he said. "I don't think that's the case any more. The brand is so strong that I doubt investors would be worried if somebody else were to take over."

Yet charismatic leaders are suffi-

ciently valued by directors to be offered strong incentives to stay put, Ms. Garrett-Cox said.

In just such a deal, Walt Disney Co.'s Mr. Eisner enjoyed history's biggest corporate payday in December. Using stock options he had gained in 12 years as Disney's chief, he banked \$565 million. In 1992, he cashed in \$202 million worth of stock options and still has about \$7 million shares worth of options.

Unlike many other well-known managers, however, the premium that Mr. Eisner's presence has added to the Disney share price is relatively low. Over the last five years, its value has climbed 265 percent, a comparatively meager 27 percent points higher than the Dow Jones industrial average.

Outside the United States and Britain, there are fewer high-profile managers. Hugh Young, an Asian fund manager with Aberdeen Asset Management Asia in Singapore, said Asian corporate culture tended to play down the role of individuals. Even so, he said exceptions included Ong Beng Seng of Singapore's Hotel Property Ltd. and Gordon Wu, chairman of Hoppewell Holdings Ltd. in Hong Kong.

"Clearly, one of the biggest problems in this part of the world is that markets are falling dramatically," he said. "It would take more than good management to buck the trend."

But he said Asian executives tended not to add a long-term premium to share prices, even in good times. "It's all about investor perception," he said. "With Gordon Wu, for example, people believed he could deliver everything he promised. He made a couple of wrong moves, saddled himself with a little too much debt, and investors deserted."

Hoppewell's shares, which traded as high as 5.30 Hong Kong dollars (68 cents) last year, now change hands at 1.45 dollars.

Bad News May Limit Defensive Plays

Continued from Page 15

are due to poor brand-management.

"There is nothing fundamentally wrong with the Laura Ashley brand," Mr. Davis said. "However, when the management team decided to expand into the United States, they overestimated the strength and power of the brand in America. The company is still recovering from the mistakes made there by senior managers."

The German fashion house Escada has also experienced brand-management problems outside its local market. Concerned by falling sales figures and unhappy with the way Lane Crawford, a leading department store in Hong Kong, was managing the Escada brand, the fashion house decided to appoint another retail outlet to take over product sales.

"Lane Crawford has been having problems for years," said one Hong Kong-based consumer goods analyst. "It is widely perceived to have an antiquated management structure and its reputation is not as good as it once was. The principles at Escada were primarily concerned that the brand name was being damaged by association."

Simon Davies, an investment adviser with Berry Asset Management in London, said it was "becoming increasingly difficult, though not impossible, to gauge the effects of adverse publicity and poor brand-management on the overall performance of large corporations."

A common mistake is to assume that a strong brand identity will protect a company from bad news and difficulties in the market," he added. "While strong brand-loyalty will enable many

companies to survive minor crises, if the business is basically flawed, household recognition will not enable the company to grow and remain profitable."

He suggested that investors might find it easier to analyze a company if they strip away the brand name and address the following questions:

- Is the company operating in a growing market?
- What is the competition?
- How will the company increase its profits?
- What is the management strategy?
- Does the company always pay dividends? Is there a policy to maintain dividend payments?
- If the company is hit by bad news or weakening brand-loyalty, can the management team reposition the brand or brands under its umbrella?

GARY DAVIS has written a report, "What Price Reputation?" published by Hayman Management Reports (6450). Call 44 171 413 4415 for further information.

BRIEFCASE

The Mathematics Of High Fund Fees

American mutual funds are using funny math to justify their cost increases. Carole Gould of the New York Times reports, but it is no laughing matter for shareholders, who have to foot the bill.

Consider the Acorn fund, which just raised its expense ratio to 0.87 percent of assets, from 0.57 percent. In proposing the substantial fee increase, Acorn management pointed out that as fund companies generally do, in such proposals — that its fees would still be lower than the average charged by competitors.

Let's see. A fund raises its costs, saying it remains a relative bargain. The higher costs, in turn, raise the group average. That creates a new group of funds charging below-average expenses — and those funds can then say they are raising fees because their fees are below average.

"It's the same lunacy that has led to baseball salaries being what they are," said Don Phillips, president of Morningstar Inc., the fund-tracking company. "When the entire industry is overcharging investors, the argument that you're overcharging less than the next guy isn't compelling."

The fee increase at Acorn comes atop the automatic raises that management has received from the fund's recent growth. Because Acorn's management fee is fixed as a percentage of assets, the dollar amount has shot up as the fund has swelled in size, from \$932 million 10 years ago to \$3.6 billion today.

Acorn is far from alone. Last year, 348 United States diversified equity funds, or 54 percent of the group tracked by Morningstar, raised the fees that they charged investors. Nor was 1997 an unusual year. Since 1987, the portion of funds

that have raised their expenses has ranged from 46 percent to 77 percent a year.

All those increases have lifted the average expense ratio on diversified equity funds to 1.41 percent, from 1.28 percent 10 years ago. Where are the ever-elusive economies of scale that were to allow fund sponsors to trim costs as their funds grew?

Especially now, when so many funds trail the Standard & Poor's 500-stock index in performance, fund sponsors should be embarrassed to continually raise costs. Because they cut returns, higher expenses provide a handicap that even excellent managers struggle to overcome.

"Unfortunately, the industry is seeing the 1 percent expense ratio as a floor now, not as a ceiling," Mr. Phillips said. "At some point, investors are going to ask whether the costs are worth the service." (NYT)

As many as a dozen firms could be listed in the United States, said Ross Kaufman, a lawyer with the New York law firm of Greenberg Traurig Hoffman Lipoff Rosen & Quentel, which has assisted Brazilian companies in preparing listings.

The New York Stock Exchange now lists only seven companies from South America's largest country, ranging from Telecommunications Brasileira SA (known as Telebras) to Companhia Cervejaria Brahma SA, a major brewer. Among the likely new arrivals are Companhia Vale do Rio Doce, the mining conglomerate; Light Services de Eletricidade SA, the electric utility for the state of Rio de Janeiro, and Lightel SA, a private-sector cellular telephone company.

Investors have been frustrated by the slow pace of Brazilian company listings in the United States. Recently, some have suggested that delays are being caused by concerns that Brazil might be forced to devalue its currency, which has been under pressure by spillover from the Asian currency crisis.

But the majority of observers attribute the dearth of U.S. listings to delays in Brazil's privatization program, which has frequently become bogged down in local politics. Referring to the idea of a dozen prospects this year, one New York banker said, "We'd be thrilled if they listed half of that."

Mr. Kaufman and Mark Saunders, a fellow Greenberg Traurig lawyer, also like Turkey, both as a potential issuer of American depositary receipts and as an investment market.

"It's like our Mexican border," Mr. Saunders said, alluding to Turkey's position as an exporting country that borders on the European Union and has many middle-class consumers. Turkish companies are "very strong,

Italian Funds Grow

Assets under management by Italian mutual funds rose by about 86 percent in 1997, to 367.384 trillion lire (\$204.6 billion) in a year that saw the vehicles posting an average appreciation of 13.3 percent, the mutual fund association Assogestioni said.

Italian stock funds had notably good results, with an average appreciation of 48.0 percent in 1997. The MIB 30 index was up 58.9 percent for the year.

In December, Italian mutual funds recorded a net inflow of 12.791 trillion.

Last year's results came amid a dramatic drop in interest rates, falling inflation and a marked improvement of public finances in the run-up to European Monetary Union. Assogestioni said. (Bridge News)

Behind the Brand Mystique, Solid Results

Continued from Page 15

brands and to keep up with changing tastes. Anyone who decided to buy shares in Reebok International Ltd. instead of Nike Inc. 10 years ago, when there was little to separate the two brands, understands this. Nike's marketing geniuses gambled that the public would accept sneakers as fashion statements and have been rewarded many times over, leaving Reebok and the rest to try weakly to catch up.

Competition and the marketing war are taking their toll on the sporting-goods business, where share prices have drastically underperformed broad markets over the last year.

The industry, particularly in Europe, will have to consolidate," analysts at Morgan Stanley, Dean Witter, Discover & Co. said in a research report.

"While global demand is likely to remain relatively firm, costs are rising rapidly," they added. "The major players are spending more on development, as well as on advertising and promotion. Participants will have to search for ways to survive and prosper. One way is to combine to get a bigger bang for their research and promotional buck."

Morgan Stanley has buy ratings on Skis Rossignol SA of France and the German sneaker company Adidas AG.

A once-venerated company that failed to capture the changing zeitgeist is the cosmetics maker Revlon Inc. Gary Hamel, a colleague of Ms. McWilliam at London Business School, said Revlon was built on the notion that women had low self-esteem and needed cosmetics to feel glamorous. That idea was maintained long after the women's movement rendered it archaic. The Body Shop International PLC, by contrast, recognized the shift and has thrived by fostering an image of making products that are healthy and comfortable.

Some idiosyncratic brands slip because their owners fail to anticipate the exhaustion of their appeal. Take Laura Ashley Holdings PLC, whose business and share price have been in a downward spiral.

"People can only have so many floral dresses," said Malcolm Newbery, a management consultant specializing in retail and fashion, noting what ultimately may be the company's epitaph. "They tried to get around that by going into more countries, then by opening bigger stores in the U.S. They needed more stock to fill the shops, but it was stock that wasn't selling."

For almost any branded product, he said, "you're talking about inherently cyclical swings and roundabouts. You can't win indefinitely unless your product is a bog-standard staple."

That explains why Levi Strauss seems to win indefinitely. It makes jeans and little else and uses clever advertising campaigns to keep reminding people to buy another pair.

"You've got to spot those brands that are on hopefully a very long life-cycle, like Levi's jeans, and those that are on a short but happy life-cycle," Mr. Newbery said.

Examples of the latter are theme-restaurant chains, such as Planet Hollywood, that are only momentarily hot with diners and investors.

"I suppose there is some financial analysis that says where these people are on that life-cycle and where I jump on and off, but it may be too late already," once the stocks start trading, he said.

"You never know about it on the ground floor," he added, "only when you're a few stories up and the only way to go is down."

These mutual funds specialize in companies that have strong consumer brands:

- **B&W INVEST FOOD & BEVERAGES**, a Luxembourg-based fund managed by Banque Paribas Lambert, Belgium. Telephone: 323 547 2111.
- **RANQUE GENERALE CONSUMER GOODS**, Belgium. Telephone: 323 543 1313.
- **INGLOBALE BEVERAGE**, Netherlands Antilles. Telephone: 599 973 2222.
- **PATRIMONIO CONSUMER**, Brazil. Telephone: 5511 3059 1800.

An Array of Funds To Cover the Bases

Mutual fund companies added 572 funds in the United States last year, down from a peak of 1,588 new funds in 1994. Still, that brings the total to 8,695, certainly a lot of choices.

How many funds is enough for the average investor? Academic research finds that you do not gain much by owning more than about 10 funds. Try to cover all parts of the market with that group: small- and large-cap stocks, international stocks, value and growth investments, and maybe a couple of bond funds. (NYT)

More U.S. Listings Of Brazilian Firms

Investors with an interest in Brazil should find it easier to buy some of its most attractive companies in 1998.

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WORLD ROUNDUP

South Africa Wins

CRICKET South Africa pulled off a thrilling two-run victory over New Zealand in the limited-over match at the Gabba ground on Friday in Brisbane, Australia.

Chasing South Africa's 300 for six, New Zealand scored 298 for nine after having recovered from a hopelessly placed 124 for six. Needing 12 off the last over and then seven from the last two balls, the tail ender Dion Nienhuis scooped Shaun Pollock to fine leg, but the shot hit the boundary rope and was awarded four. It was only inches away from a six, which would have left the Kiwis with just one run from the last ball to win. (AP)

It's Tomba Time Again

SKIING The Olympics are coming. It must be time for Tomba.

The Italian superstar, who hadn't won a World Cup race in a year, turned in a flawless performance in a night slalom Thursday in Schladming, Austria, for his 34th slalom triumph, and his 49th overall victory. He has three Olympic medals.

Tomba left little to doubt. Starting fourth, he surged into the lead after the first run, and then held off a challenge by Thomas Sykora of Austria. (AP)



Mary Pierce in doubles match.

France in Hopman Final

TENNIS Mary Pierce set the stage for a 3-0 French victory against South Africa in the Hopman Cup team tournament on Friday, easily beating Amanda Coetzer.

Pierce dismissed Coetzer, 6-3, 6-3, before her partner, Cedric Pioline, beat Wayne Ferreira by 7-6, 6-3, to book a berth in the final on Saturday against Slovakia.

The French pair then won the doubles match, 6-4, 7-6. (Reuters)

Romanian Dies at 65

Lia Manoliu, an Olympic gold medalist in the discus and one of Romania's greatest athletes ever, died Friday of a heart attack. She was 65. She first competed in the Olympics in 1952, and threw the discus in five more Games. (AP)

Doping Returns Swimmer to China

Compiled by Our Staff From Dispatches

PERTH, Australia — The Chinese swimmer Yuan Yuan and her coach, Zhou Zewen, were summoned home from the world championships on Friday after tests confirmed that Yuan had tried to import a banned growth hormone.

But China's team leader, Shi Tianshu, denied rumors that the club was considering withdrawing from the championships, saying it would continue to compete.

Australia's customs minister, Warren Truss, said that a substance found in Yuan's baggage on Thursday "is or contains a growth hormone — it is a prohibited import."

World swimming's governing body, FINA, referred the matter to its doping commission, which was expected to meet within 24 hours. Yuan and Zhou face minimum four-year suspensions from the sport.

"This crime shall be regarded as a violation of FINA rules," said the organization's secretary, Gunner Werner.

"It's trafficking of a banned substance," Werner added there was no possibility of a penalty being assessed against the entire Chinese team.

Shi said that Yuan and Zhou were bringing the growth hormone into Australia to give to friend based in Sydney. He also apologized for the breach of Australian customs regulations in the incident.

"What these two members of the delegation have done is a violation of the discipline of the delegation, which is definitely wrong," he said. "We shall deprive these two people of the right to participate in these championships. Further action will be taken and we shall inform FINA of the results."

The substance, taken from 13 vials hidden inside a thermos flask that was in Yuan's luggage, was tested by a government laboratory, whose results were then confirmed by a separate laboratory. The vials were found when Yuan and 28 other members of the Chinese delegation flew into Sydney from Beijing on Thursday.

Chinese swimmers have returned 23 positive drug tests during the 1990s, but

team officials have always denied that systematic doping occurred.

Canada's head swimming coach, Dave Johnson, said the incident gave FINA a chance to discipline China.

"This opens the door for FINA to take a pretty tough stand on China's entire team," he said. "If they choose not to do so, it is not very good for swimming."

The coach of the U.S. team, Mark Schubert, said the Chinese club was in a difficult position. "If they stay, they stay in disgrace," Schubert said. "Everyone will assume they are all on drugs."

Australia's swimming coach, Don Talbot, said that drug-taking in world swimming was "much more rife than even our wildest imaginations can tell."

Truss, the customs minister, said the strictest controls were observed "to ensure that the vials could not be tampered with in any way from the time of seizure until the test analysis was completed."

Between the two tests, members of Australia's Sports Drug Agency went to the Chinese team's hotel to carry out more tests on the squad. (AP, Reuters)

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Shi Tianshu admitting a Chinese athlete had carried a banned substance.

Germany Defends Athletes

The German government on Friday rejected as "absurd" demands that former East German athletes be stripped of their Olympic medals and world titles because of drug use. The Associated Press reported from Frankfurt.

Interior Minister Manfred Kanther

said Germany had a high-standard anti-doping system and expected to be treated fairly by international bodies.

Kanther's reaction was prompted by the case of the German swimming coach, Winfried Leopold, who had his accreditation taken away at the World Championships in Perth, before it was returned by the order of an Australian court.

Football Players Are Awfully Tough, but Enough for Rugby?

International Herald Tribune

HE'S a freak," said Will Carling, captain of England's rugby team, bruised and humbled. He was complaining about Jonah Lomu, the enormous New Zealand sprinter who had just trampled England in the semi-final of the 1995 Rugby World Cup.

At 6 feet 4 inches (1.92 meters) and 250 pounds (113.5 kilograms), Lomu ran through tacklers as if they were cobwebs. If the English felt inadequate against such a man, imagine how Carling would feel against a team of 15 Lomus.

I knew just where to find them — in the wild and woolly rugby wilderness known as America.

If you chartered a jumbo jet, touched down in Florida, Ohio, Texas and California, loaded it up with every 22-year-old American football player unable to find work in the National Football League, then transported them, Noah-like, to the rugby countries of the world, you might think they would feast on the slow, pale likes of Will Carling and never have to wear a helmet or shoulder pads again.

Lomu was rugby's first NFL-style combination of size, strength and speed, looking in his black shorts like an Oakland Raiders tight end on holiday. What if somebody gathered a team of young, healthy NFL castoffs in their athletic primes, taught them the rules and set them loose on the Five Nations and the Southern Hemisphere?

"I'll tell you what would happen to the Americans," said Gil Thompson, a Mississippi-based agent for players in the NFL. "They would get beat to death."

Last year, Thompson sent a dozen such players to Australia. In so doing, he was accepting the invitation of Benjie Gross, an Australian sports lawyer who was convinced after years of watching NFL games while on skiing holidays in America that the Yanks could revolutionize the Australian sport of rugby league.

"I think I overestimated the ease with which they would make the transition," Gross says.

Rugby league is a more physical version of rugby union, which has been exploited so forcefully by Lomu. While 15-man rugby union has, until recently, been an amateur sport, rugby league has always been professional. The 13 men fielded by each rugby-league team are all expected to run, pass, defend, tackle and kick at close to a nonstop pace for 80 minutes, on a field 10 yards longer and 30 yards wider than American football fields.

THERE WAS a time, decades ago, when American football had more in common with rugby. But few Americans play both offense and defense anymore. Football is specialized, with players substituted in and out depending on the situation. It is a game of spurts followed immediately by 30-second huddled intermissions.

Put it this way: If a rugby-league player scores a try from one end of the field to the other, he doesn't immediately head to the sideline to breathe from an oxygen mask. Instead, he stays in the game for what Americans would refer to as the kickoff.

"The NFL has more high-risk sudden impacts," Thompson said, meaning that NFL players tend to hit each other as if shot out of cannons. "But I think rugby is more physical than the NFL. Personally, I don't think Americans can cut the mustard."

The best American prospect was Maurice Hampton, a running back from Jackson State in Mississippi — Walter Payton's school — who went unnoticed by the NFL in 1996. That year, he and a former college teammate joined the Sydney City Roosters and progressed to

the reserve team.

Hampton, who runs the 40-yard dash in about 4.60 seconds, slow by NFL standards, gave himself high marks.

"A lot of times I would find myself in a one-on-one position against the defender," he said. "But on the team in Sydney, there were probably only one or two guys who could beat me running, and these guys were 170 to 180 pounds. I'm 220. Their speed doesn't match up."

Gross, who personally spent \$100,000 to fund the movement of more than a dozen Americans to Australia over the last two years, hoped their speed and strength would conquer. But in the end, most of the Australian clubs saw little point in investing time and money in American athletes who might need years to learn the instinctive nuances of rugby league.

IN AMERICA, you have 30 NFL teams for a population of 270 million, which is to say one club per 9 million people," Gross said. "That means a lot of great American athletes are unemployed, especially compared to the one club per 500,000 Australians who are interested in rugby league."

Thompson said: "The goal of this was to put together an American team playing internationally and becoming probably the best in the world — as Americans usually are. But rugby is not a popular sport in America."

A larger commitment would have to be made to even hope for such a scenario, and in America that means huge amounts of money. The best Gross could do was to provide his guests with one of the great coaches, Warren Ryan, who is the Bill Walsh of rugby league.

In an international Sevens tournament last year — a high-scoring event played by teams of seven men each —

Ryan and Gross watched their Americans score a delicious try that summed up their difficulties.

"One of the Americans, a great athlete, beat everyone and ran over the try line — but he didn't put the ball down on the ground," Gross said. "It was quite a Forrest Gump situation, but it was quite funny. There were lots of players high-fiving him, bumping

chests — and then you could see a look come over him that he was realizing he wasn't going to get any points for it."

In the old days, the rule for scoring with the ball in hand used to be the same in America. That's why it's called a touchdown.

Ian Thomson is a senior writer at Sports Illustrated magazine.

Carling Retires From England

Reuters

LONDON — Will Carling, who captained England in a world record 59 international matches, has retired from rugby union, his club, Harlequins, announced Friday.

"Retirement from the game is a big wrench but it is the right decision for me," said Carling, 32.

A hard-tackling center, Carling played 72 games for England in an international career that began in 1988. He quit international rugby in April and lost his starting spot on the Harlequins this season because his commitments as a business consultant were interfering with his training.

He became one of the most famous sportsmen in Britain during the early 1990s, and helped England dominate the Five Nations championship and reach the World Cup final. But his love of the media spotlight aggravated many in the game, and he was frequently embroiled in controversy. Carling was fired as captain in 1995 — but reinstated two days later — after making an insulting comment about English rugby authorities. His marriage collapsed after media reports linked him to Diana, Princess of Wales, in 1995.



Will Carling was captain of England in 59 international matches.

SCOREBOARD

BASKETBALL

NBA STANDINGS

EASTERN CONFERENCE

ATLANTIC DIVISION

Team	W	L	Pct	GB
Atlanta	21	11	.656	—
New York	19	14	.574	2 1/2
New Jersey	19	15	.558	3 1/2
Washington	19	17	.528	4
Orlando	18	17	.514	4 1/2
Boston	18	18	.500	5
Philadelphia	9	23	.281	12

CENTRAL DIVISION

Team	W	L	Pct	GB
Indiana	22	11	.676	—
Illinois	22	11	.667	—
Atlanta	20	12	.625	2
Charlotte	20	12	.625	2
Cleveland	15	18	.455	7 1/2
Milwaukee	15	19	.441	8
Toronto	4	30	.118	19

WESTERN CONFERENCE

PAACIFIC DIVISION

Team	W	L	Pct	GB
San Antonio	22	11	.667	—
Utah	22	11	.667	—
Houston	17	16	.515	5 1/2
Minnesota	16	16	.500	6
Vancouver	16	25	.391	13 1/2
Seattle	15	26	.366	14 1/2
Denver	2	30	.063	19 1/2

MAJOR COLLEGE SCORES

Team	Score	Opponent
North Carolina	75	Georgia Tech 75
Arizona	94	Washington State 81
UCLA	90	Washington State 72
Illinois	76	Iowa 64
Wake Forest	70	Clemson 64

EUROLEAGUE

Team	Score	Opponent
Alba Berlin	64	Paris Orthe 55
Partizan Belgrade	70	Choraz Zagreb 78

HOCKEY

NHL STANDINGS

EASTERN CONFERENCE

ATLANTIC DIVISION

Team	W	L	T	Pct	GB
New Jersey	27	12	5	.622	—
Philadelphia	24	10	6	.583	1 1/2
Washington	20	16	8	.548	4 1/2

CENTRAL DIVISION

Team	W	L	T	Pct	GB
St. Louis	23	23	15	.500	—
San Jose	18	24	28	.438	6 1/2
Calgary	15	24	29	.391	9 1/2

WESTERN CONFERENCE

PACIFIC DIVISION

Team	W	L	T	Pct	GB
Edmonton	24	24	16	.500	—
New York	24	24	16	.500	—
San Jose	15	24	29	.391	9 1/2

MAJOR COLLEGE SCORES

Team	Score	Opponent
North Carolina	75	Georgia Tech 75
Arizona	94	Washington State 81
UCLA	90	Washington State 72
Illinois	76	Iowa 64
Wake Forest	70	Clemson 64

EUROLEAGUE

Team	Score	Opponent
Alba Berlin	64	Paris Orthe 55
Partizan Belgrade	70	Choraz Zagreb 78

HOCKEY

NHL STANDINGS

EASTERN CONFERENCE

ATLANTIC DIVISION

Team	W	L	T	Pct	GB
New Jersey	27	12	5	.622	—
Philadelphia	24	10	6	.583	1 1/2
Washington	20	16	8	.548	4 1/2

CENTRAL DIVISION

Team	W	L	T	Pct	GB
St. Louis	23	23	15	.500	—
San Jose	18	24	28	.438	6 1/2
Calgary	15	24	29	.391	9 1/2

WESTERN CONFERENCE

PACIFIC DIVISION

Team	W	L	T	Pct	GB
Edmonton	24	24	16	.500	—
New York	24	24	16	.500	—
San Jose	15	24	29	.391	9 1/2

SOCCER

WORLD CUP QUALIFIERS

Team	Score	Opponent
France	2-1	Belgium
Italy	1-0	Spain
Germany	1-0	Poland
Sweden	1-0	Denmark

EUROPEAN CUP

Team	Score	Opponent
Real Madrid	3-1	Barcelona
Bayern Munich	2-1	Dortmund
Inter Milan	1-0	Lazio
AC Milan	1-0	Fiorentina

CONCACAF CUP

Team	Score	Opponent
USA	1-0	Mexico
Costa Rica	1-0	Guatemala
Honduras	1-0	El Salvador
Nicaragua	1-0	Panama

AFC CUP

Team	Score	Opponent
Japan	1-0	Korea
China	1-0	Vietnam
Thailand	1-0	Malaysia
Singapore	1-0	Brunei

OFC CUP

Team	Score	Opponent
New Zealand	1-0	Australia
Samoa	1-0	Tonga
Fiji	1-0	Vanuatu
Solomon Islands	1-0	Papua New Guinea

ASIAN CUP

Team	Score	Opponent
India	1-0	Pakistan
Sri Lanka	1-0	Bangladesh
Maldives	1-0	Myanmar
Brunei	1-0	Thailand

AFRICA CUP

Team	Score	Opponent
South Africa	1-0	Botswana
Lesotho	1-0	Swaziland
Malawi	1-0	Zambia
Mozambique	1-0	Angola

CONCACAF CUP

Team	Score	Opponent
USA	1-0	Mexico
Costa Rica	1-0	Guatemala
Honduras	1-0	El Salvador
Nicaragua	1-0	Panama

AFC CUP

Team	Score	Opponent
Japan	1-0	Korea
China	1-0	Vietnam
Thailand	1-0	Malaysia
Singapore	1-0	Brunei

OFC CUP

Team	Score	Opponent
New Zealand	1-0	Australia
Samoa	1-0	Tonga

SPORTS

Under Fire, Switzer Quits As Coach of the Cowboys

The Associated Press
IRVING, Texas — Barry Switzer resigned as coach of the Dallas Cowboys on Friday, saying that it was in the football team's best interest to have someone else in charge.

"At this time, I believe a fresh start at this position will give the Cowboys their greatest opportunity to return to the top," Switzer said in a statement.

"I am deeply proud of what our players and coaches have been able to accomplish. A Super Bowl championship and three division titles are a source of great pride for this organization and its fans."

Other than the statement, Switzer did not comment. The National Football League team's owner, Jerry Jones, appearing alone at a news conference, said the decision was "a very difficult and

emotional one for everyone who was involved."

"He had the toughness to walk into a situation that was as great a challenge as any football coach has ever faced in the NFL," Jones said. "Barry Switzer was the right man for the right time."

Switzer won 45-26 in four seasons, winning a Super Bowl in his second season and division titles in his first three.

His final season, however, was a disaster, beginning with his arrest for carrying a gun in an airport followed by a 6-10 record that kept the Cowboys out of the playoffs for the first time in seven years.

Several players made it clear they thought it was time for a change. Quarterback Troy Aikman and fullback Daryl Johnston both have complained openly about the team's lack of discipline.

Jones said he spent most of the last three weeks trying to decide whether a coaching change was needed. Switzer, 61, had long said Jones wouldn't have to fire him; he would resign.

As for a replacement, Jones said: "I will not share with you a time frame I have or a process for selecting the next coach of the Dallas Cowboys."

Candidates are believed to include George Seifert, who left the San Francisco 49ers under strained circumstances a year ago. Others are Terry Donahue, a former UCLA coach; Jon Gruden, offensive coordinator for the Philadelphia Eagles; Butch Davis, the University of Miami coach and a former Cowboy assistant; or perhaps someone from Switzer's staff.

Jones said Switzer would not have another role in the organization, even though he has at least two years left on a contract that pays him \$1 million a year.

"His ledger is square with me," said Jones.



Michelle Kwan performing at the Philadelphia figure skating competition.

U.S. Skater Lines Up 6's: Kwan Is 'Perfect' as Lipinski Tumbles

By Jere Longman
New York Times Service

PHILADELPHIA — After a fitful night of tossing and turning, Michelle Kwan slept through her early-morning training session. The spark of her absence kindled a bonfire of speculation.

Had she withdrawn from the Olympic trials with a toe injury? No, she had not. Not only did Kwan later skate the short program Thursday, but seven of the nine judges also rated her presentation as perfect.

While the defending champion, 15-year-old Tara Lipinski, fell on a triple flip and tumbled soggily to fourth place, Kwan delivered a refined, joyful, liberating performance that was judged as the greatest by a woman in the short program at the national championships, which serve as the Olympic trials.

No American woman had ever received one perfect mark of 6, much less seven of them, in this part of the program at the nationals.

Kwan's scores were surpassed only by the eight 6's that Brian Boitano received for his short program presentation at the 1988 trials.

Only the winner here is guaranteed to receive one of three American berths in the Winter Olympics next month at Nagano, Japan. The other two skaters will be determined by their performances over the past two years. As the 1997 world champion, Lipinski is virtually certain to be chosen, which could cause a controversy should she finish fourth or lower.

For Kwan, all the uncertainty of the past two months evaporated in the two-and-a-half minutes of her short program. She was the 1996 world champion but had not competed since early November because of a stress fracture in the second toe of her left foot.

"At the end, I said, 'Now I can enjoy this moment, now I can breathe,'" said Kwan, 17. "When I heard the 6's, I said, 'Am I hearing this right?'"

After a controlled, almost cautious, beginning to her program, Kwan appeared to gain restorative confidence as an athlete and an artist with her feathery jumps, elegant spirals, balletic grace and fierce determination. She skated to a Rachmaninoff piano concerto that helped build a charming tension as she approached the triple flip. The jump replaced a triple toe loop that causes stabbing pain when she plants her left toe pick.

Twice in the past two days, Kwan had fallen while rehearsing the triple flip. Thursday, her thoughts seemed to linger in indecision before the jump. Later, she confessed that her left foot felt encouraging and that she almost attempted the triple toe except that her coach, Frank Carroll, would "kill me." So, she stuck with the flip, which she landed with precision and relief.

"I've had it since I was 11," Kwan said. "Why not do it now when it counts?"

A resurgent, theatrical Nicole Bobek finished second and a stolid Tonia Kwiatkowski took third. Even Kwiatkowski found herself clapping for Kwan's first-place skate, one that came after weeks of speculation about her injury and her uncertain confidence. Kwan missed three weeks of training in November, and as late as Christmas she wondered whether she could compete effectively here.

"I thought it was one of her best moments, not so much for what she did, but the way she did it," said Carroll, who coaches Kwan in Lake Arrowhead, California. "She had a wonderful look

of ease on her face and confidence, a performing aura rather than just a technical aura. When you are under a lot of pressure, to make it come out under great ease is difficult to do."

Lipinski, who last year became the youngest world champion ever at age 14, was perhaps bothered by the pressure of defending her national title. She let her open spin wander, landed a flawed lutz on her combination jump then made a rare fall on the triple flip. She rushed the jump, did not attain sufficient height and crumpled to the ice.

Later, Richard Callaghan, called the mistake "drastic" because it came in such an important competition. Had this been the Olympics, the fall would most likely have cost her any chance at a gold medal.

Thursday's short program, which consisted of eight required elements involving spins, jumps, footwork and spirals, counted for one-third of the scoring. Saturday's long program will count for two-thirds. For Lipinski to defend her national title, she must win the long program while Kwan finishes third or lower.

Eldredge Fails To Land Quad

New York Times Service

PHILADELPHIA — After being asked repeatedly why he had never attempted a quadruple jump in competition, Todd Eldredge launched one during his long program at the Olympic trials here. He fell hard on the quad toe, but he did not tumble out of first place as he won his fifth national title.

Eldredge, 26, the 1996 world champion, completed the four necessary revolutions on the toe loop on Thursday night, but he landed with an awkward lean and dropped to the ice after his four-and-a-half-minute routine. He is a thoroughbred, though, not a one-trick pony.

After reducing a second triple axel to two revolutions, Eldredge attempted the triple axel again and landed it flawlessly. The attempted quad appeared to sap him of some of his energy, but Eldredge still completed six triples overall and displayed his familiarly brilliant spins to take first place.

"I skated well," he said. "It's the first time I tried the quad. I had it on one foot; it was that close but I just fell. I'm happy to get a fifth title."

While all his top competitors for an Olympic gold medal — Elvis Stojko of Canada and Ilya Kulik and Aleksei Yagudin of Russia — have landed a quad in competition, the conservative Eldredge had preferred to rely on his completeness and consistency. No American has landed a quad.

Kurt Browning of Canada was the first skater to land a quadruple jump, which requires four revolutions in the air. He first performed the jump at the 1988 world championships. A decade later, it could be a determining factor next month at the Winter Olympics.

The fifth national title put Eldredge one ahead of both Brian Boitano and Scott Hamilton.

It's NFL Money Time

Conference Finals Should Be Close Games

By Mike Freeman
New York Times Service

NFC Championship

Green Bay (14-3) at San Francisco (14-3) — Many of the story lines in this game have to do with how similar these two teams are. Steve Marinucci, the 49ers coach, was the quarterback coach in Green Bay, and Packers coach Mike Holmgren was the offensive coordinator in San Francisco.

The Packers have dominated the 49ers in recent years; Holmgren is 3-0 against the 49ers.

"We all know they have had our number," said Marinucci, who could become only the third rookie head coach in league history to win a Super Bowl. "We need to do something about it this year."

Whether the 49ers can do anything about it depends on their defense. The 49ers have the league's top-ranked defense, but they have not faced a varied, high-powered offense like that of the Packers.

Brett Favre, who shares the NFL Most Valuable Player award this year with Detroit's Barry Sanders, led the league with 35 touchdown passes and became the first quarterback to have

four straight 30-touchdown seasons. What is worrisome about the 49ers' defense, is that the secondary tends to give up the big play.

Prediction: Packers 28-21

AFC Championship

Denver (14-4) at Pittsburgh (12-5) — The Broncos have won 4-of-5 conference title games. Pittsburgh is making its conference-high 10th title-game appearance. Pressure means little to either of these clubs.

This is one of those games during which the coaches will earn their paychecks. The Broncos played at Three Rivers Stadium earlier this season and jumped to 21-7 lead. Then Steelers quarterback Kordell Stewart exploded, accounting for five touchdowns: three passing and two rushing. The Broncos seemed to lose their composure and imploded.

The edge in coaching here must go to Shanahan, one of the best tacticians in the game. He'll find what it takes to make sure the Broncos play the entire game this time around.

But that won't be enough. It's time to admit that the Steelers, despite their faults, just seem to find ways to win.

Prediction: Steelers, 20-17.

The Associated Press
Karl Malone sizzled and Shawn Kemp fizzled.

Malone scored 39 points and passed John Havlicek on the NBA's career scoring list as the Utah Jazz beat the Milwaukee Bucks, 116-109, on Thursday night. "Karl is like nobody else," said a teammate, Jeff Hornacek. "He does things that nobody else can do."

Malone, whose 500 consecutive starts are tops among active players, was

NBA Roundup

13-for-16 from the field and 13-for-15 from the foul line. His free throw 2:04 into the game gave him 26,396 career points, passing Havlicek for eighth place on the career list.

"Records aren't something that just happen," Malone said. "You've got to plan and prepare your whole career. Then good things happen."

Malone's strong play against visiting Milwaukee was no surprise. He averaged 34.5 points in the teams' two meetings last season, and he scored a career-high 61 points against the Bucks in 1990. Hornacek added 20 points for the Jazz, including 15 in the second quarter, and John Stockton had 13 assists.

Shawna 108, Cavaliers 84 Bad things happened to Shawn Kemp in his first game against Seattle since the SuperSonics traded him to Cleveland last summer.

Vin Baker, who went from Milwaukee to Seattle in that three-team deal, dominated Kemp, scoring 25 points and holding Kemp to nine, including 2-for-11 shooting from the field. "This was

probably the worst night of my nine years," in the NBA, said Kemp, who demanded to be traded last season because of a contract dispute.

The visiting Sonics improved their NBA-best record to 28-6 with their seventh straight victory. Seattle's Gary Payton scored 25 points on 9-for-12 shooting and held the standout rookie Brevin Knight to four points and five assists.

Wesley Person scored 15 points for the Cavs, who lost their seventh straight to Seattle.

Nets 88, Magic 87 In East Rutherford, New Jersey, Kerry Kittles had a season-high 27 points and a career-high 12 rebounds as the Nets snapped a two-game losing streak. Keith Van Horn added 19 points and Jayson Williams grabbed 15 rebounds for New Jersey.

Rony Seikaly had 25 points and 12 rebounds for the injury-riddled Magic, who came up short for the 10th time in 12 games.

Kings 103, Mavericks 82 Olden Polynice set season-highs with 26 points and 16 rebounds as Sacramento extended its winning streak to four games with a victory at Dallas. Dennis Scott scored 23 points and Samaki Walker matched a career-high with 20 for the Mavs.

Pacers 87, Rockets 80 In Houston, Jalen Rose scored 18 points as Indiana beat the injury-plagued Rockets. It was the Pacers' 11th triumph in 14 games.

Houston played without its injured stars Hakeem Olajuwon, Charles Barkley and Clyde Drexler. Eddie Johnson also wasn't available because of an injured right elbow, leaving the Rockets with only nine players.

DENNIS THE MENACE



"I REMEMBER THE GOOD OLD DAYS WHEN IT ONLY COST A QUARTER TO BUY A BRONCO!"

JUMBLE



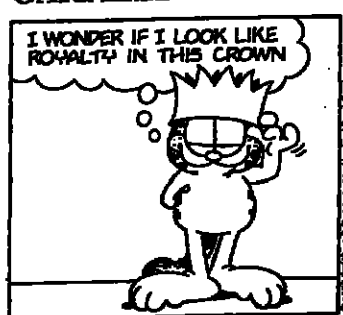
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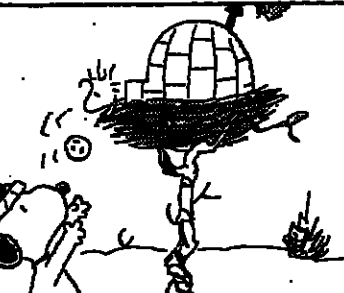
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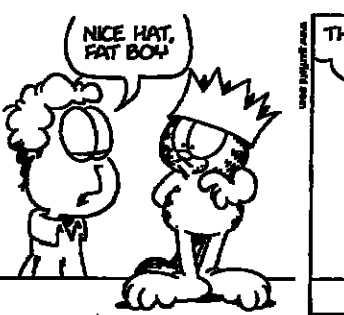
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Haute Cuisine Fit for a Dog

MIAMI—Today's topic is: The Art of Cooking.

Cooking was invented in prehistoric times, when a primitive tribe had a lucky accident. The tribe had killed an animal and was going to eat it raw, when a tribe member named Woog tripped and dropped it into the fire. At first the other tribe members were angry at Woog, but then, as the aroma of burning meat filled the air, they had an idea.

So they ate Woog raw. Yes, cooking can be hazardous. I learned this lesson from a dramatic true incident that occurred in my childhood. My family was at home, waiting for company to arrive; my mom was cook-

You should never cook anything without wearing a welding helmet.

ing one of her specialties, creamed chipped beef, in a double boiler. There was a knock at the door, and we all went to the living room to greet our company, which was fortunate because at exactly the instant we opened the door, the double boiler exploded violently, sending what seemed like thousands of gallons of creamed chipped beef flying in all directions with tremendous force.

I believe that if there are intelligent beings elsewhere in the universe, one day their astronomers will detect traces of this particular entrée spreading out across the cosmos at nearly the speed of light, and they will, by extrapolating backward, calculate that a cataclysmic Big Beef Bang took place on Earth in 1958.

The point is that, as a safety precaution, you should never cook anything, including toast, without wearing a welding helmet. Also you should choose a recipe that is appropriate for the individuals who will be eating it. For example, you do not need to make an elaborate dish if the individuals are dogs. A dog will eat pretty much anything; one major reason why there are no restaurants for dogs is that the customers would eat the menus.

So a dog will happily eat the same recipe forever. You can feed a dog "kibble," which is actually compressed dirt, every single day for 13 years, and the dog will consider you to be the greatest cook in world history. It will lick the ground you walk on.

The situation is similar with guys. Guys generally like to find a recipe that works for them and stick with it. For example, I know a sportswriter named Bob who, to my knowledge, has never in his life cooked anything except Stouffer's frozen French bread pizza.

This is all he has in his freezer. If he hosted a Thanksgiving dinner, he'd serve a large Stouffer's French bread pizza, stuffed with smaller Stouffer's

French bread pizzas. At the Stouffer's factory, they probably have a whole department devoted exclusively to Bob, called "The Department of Bob," which monitors Bob's pizza consumption and has a fleet of loaded resupply trucks ready to roll when he runs low.

If you're not cooking for guys or dogs, you should use a more elaborate "gourmet" type of recipe, which you can find in magazines such as *Bon Appetit* (literal translation: "Chow Down"). The problem here is that the people who are creating these recipes are also snoring down cooking wine by the gallon, and after a while they start making up words. Take "fennel."

There is no such thing as "fennel," yet many of your gourmet recipes call for it. Other examples of imaginary ingredients are "shallots," "capers" and "arugula." So what frequently happens when you try to make a gourmet recipe is, you're progressing briskly through the steps, and suddenly you come across an instruction that the gourmet chef obviously dreamed up moments before passing out face-down in the bennaise sauce, such as "Carmelize eight minced hamouit kleebers into a reduction of blanched free-range wheel corns."

Thus to be a successful cook, you need to learn how to adapt gourmet recipes to the "real world" by making substitutions. For example, recently I was looking through the December issue of *Bon Appetit*, and I found a recipe called "Sweet Potato Soup with Lobster and Orange Crème Fraiche."

I was very interested in making this recipe; the problem was that some of the ingredients, such as "leeks," were obviously imaginary, whereas others, such as lobster, were members of the cockroach family.

No problem! I simply looked around my kitchen for appropriate substitute ingredients, and I was able to adapt the *Bon Appetit* recipe to meet my specific needs, as follows:

SWEET POTATO SOUP WITH LOBSTER AND ORANGE CRÈME FRAICHE

1. In a medium room, remove wrappers from eight miniature Three Musketeers bags left over from Halloween.

2. Eat bars.

3. Feed wrappers to dog.

With a little ingenuity, you can achieve results very much like this in your own kitchen. I bet that when word of your culinary prowess gets around, people will be flocking to your door! Let's hope they're bringing pizza.

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Make a Date for Lunch (and a Wedding?)

International Herald Tribune

PARIS — For a long time in the United States lunch has been a metaphor more than a meal. Rather than ingestion it signifies intent — to make a contact, clinch a deal and now to find a mate.

In 1992 a Chicago-based marketing manager named Andrea McGinty hit upon her profession's pot of gold, an untapped niche market: successful young business and professional people so busy climbing the corporate ladder and polishing their bodies that they hadn't had time for much personal

MARY BLUME

life. She founded a dating organization called It's Just Lunch, which now has 30 U.S. branches from Minneapolis to Orlando to Fort Lee, New Jersey, projects earnings of \$8 million to \$10 million in 1997, and plans early this year to open in London, Paris and Milan.

"We're looking at Geneva and Hong Kong is going to happen in the spring," McGinty said by telephone from her headquarters in Chicago. Japan looks good to her and she was recently approached by one of South Korea's largest corporations. "They did a study among their employees and found that those who are married are the most productive. So they're thinking of a joint venture with us to marry off their single people. That's kind of wild."

Not really. McGinty's approach is simple demographics. "We look at urban markets, that's where professionals are generally starting or progressing within their careers, so we look at how many people have the equivalent of a U.S. college education, a certain earning level, what the singles demographics look like in a certain city. We go to Dun & Bradstreet, we go to census bureaus, we do the research to find out where the young urban professionals are."

The company's brochure states in sober serif type, "It's time to take a professional look at your personal life." Once located, the young urban professionals submit to a long interview and pay a minimum entrance fee of \$675, which covers eight matches or six months, whichever comes later. In return they are offered lunch dates with a suitable partner. And lunch is all that it needs be — a low-risk opportunity to find Mr. or Ms. Right. If it doesn't work out, both partners say ciao, go back to the office and then try again. It works pretty well — of some 100,000 lunches, more than 1,400 have led to a wedding feast.

McGinty thinks it works because of strict vetting of prospective clients who must be employed, college-educated and roughly between 25 and 45 years old. "Sometimes I can't help them because what they're looking for I don't have or I do have but that per-



son's not looking for them. If a man comes in and he's a four or a five and wants a woman who's a 10, it's not going to work. I say we're not an escort service, we're trying to provide both parties with a good match on both ends. If you want to meet models, put an ad in a magazine."

It's Just Lunch recently did a market survey that showed that 62 percent of women need an hour to decide whether a man is worth going out with a second time, while men take 15 minutes or less. If the man doesn't call within 24 hours of the lunch, there is a less than one-in-seven chance that he will ever call. More women than men are ready to give a guy a second chance if there was no physical attraction on the first date; both sexes agree that men talk more about themselves than women.

It's Just Lunch gives plenty of advice before the first date. Women shouldn't talk about having babies or how many people they want at their wedding. Men shouldn't wear mismatched socks. Don't come with rehearsed sprightly conversation, try to think positive things about your date. If it doesn't work don't worry, it's just lunch.

Each branch is run by a local who knows all the latest restaurants and will make suggestions. "We try to get hot

spots for lunch that aren't really romance spots but are thoroughly neutral," said Julie Safer, the company's PR woman in Washington. "We don't want to intimidate anybody with violins lurking around or someone saying 'wanna buy a rose. We wouldn't send them to the Four Seasons unless requested, but we wouldn't send them to a low-budget diner either. Basically, we will choose something that is nice, moderate, nothing too fancy. Most of these people are business people, they're all going to be in suits at lunch, they want to go to a place where there are other people, they don't want to be alone."

The bill is shared. Usually neither person drinks because they are going back to work. They have already been asked by the branch director whether they smoke during the registration interview, which lasts an hour and a half. "There's a lot of thought put into it, it's not a computer program, it's like a bunch of yentas sitting down and doing old-fashioned matchmaking," Safer said. After lunch both sides report, and if they want to continue dating this is called freezing the package. It's Just Lunch has some 2,000 frozen packages on its books right now.

It may just be lunch but there are plenty of pitfalls. What should one

order to show a fellow that one is healthy and unfussy?

"If they're a meat eater, chicken is always safe. You never want to order a spinach dish for fear of something getting caught in your teeth. And I wouldn't suggest ordering spaghetti with a red sauce you could spill on yourself."

Would ordering a rich desert make a bad impression? Probably. "Fat-free yogurt, that's really big," Safer suggests. Bon appetit.

McGinty doesn't foresee problems with local lunching habits when she opens here, even if frozen yogurt is not a Paris staple. "The biggest challenge initially is to overcome the perception that people who go to a dating service are losers." Her company's success probably lies in suggesting that it services only excessively busy winners.

McGinty started off as a loser herself, jilted six weeks before her wedding. She founded It's Just Lunch soon after with another woman, who has since dropped out. She is now half owner with Daniel G. Dolan. Dolan, a lawyer, had seen her picture in a newspaper and came to the office to sign up. "She took 24 hours to think about it, then gave him a full refund because she has a policy of never dating her clients," Safer said. They did better than have a chicken and fat-free yogurt lunch: Reader, she married him.

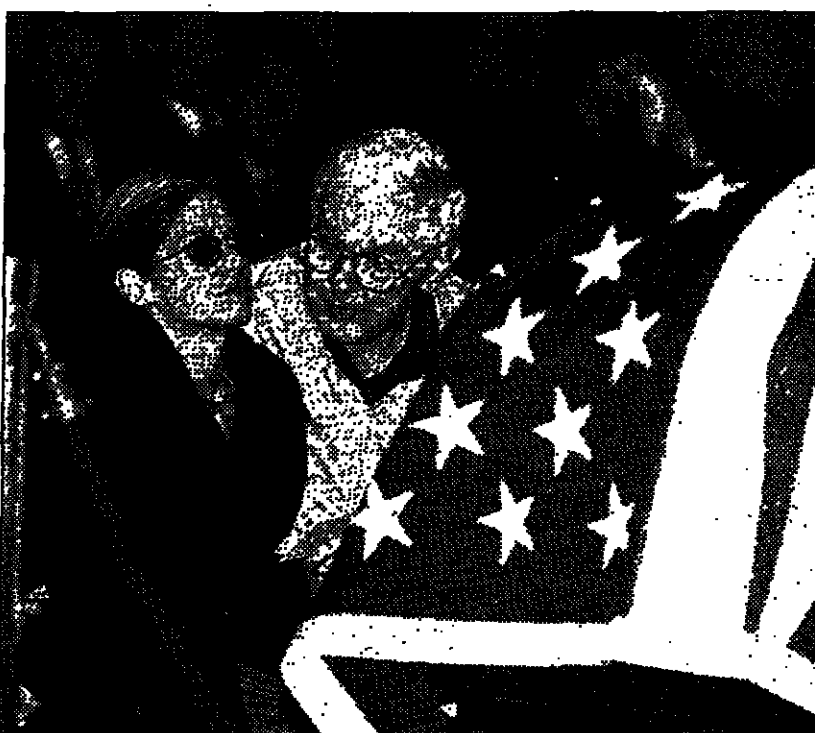
PEOPLE

THE jazz legend Lionel Hampton has filed a lawsuit, asking \$10 million, against three firms that distributed and sold what the musician said was a defective halogen lamp that caused a fire in his apartment that destroyed all his possessions. The suit alleges that on Jan. 7, 1997, the lamp tipped over onto Hampton's bed "as a result of its own instability," igniting sheets and blankets, setting off the blaze. The fire in Hampton's high-rise apartment in New York City destroyed all of the 89-year-old musician's belongings, including his clothes, money, vibrascope, sheet music, photographs, awards and other memorabilia accumulated during his career.

Roseanne has filed for divorce from her third husband after an altercation at their Los Angeles home. According to her suit filed in Los Angeles Superior Court, the comic actress separated from Ben Thomas, the father of their two-year-old son, Buck, on New Year's Day. In the early hours of New Year's Day, police were called to the couple's home and Thomas was ordered to leave after reportedly breaking a lamp and a window. Thomas, a former mechanic who became her driver and bodyguard, married Roseanne on Valentine's Day, 1995.

Quentin Tarantino is to tread the boards of Broadway in a stage version of "Wait Until Dark," the 1967 film that starred Audrey Hepburn. The director of "Pulp Fiction" made the announcement in an Internet question-and-answer session in Paris, where he was promoting his newest movie, "Jackie Brown."

Ray Charles has donated \$25,000 to a Los Angeles Police Department program for teenagers. The singer said he wanted to do "anything that would be helpful to bring them up in a strong way and a correct way." The police program



A VIGIL FOR SONNY BONO — Mary Bono, the wife of the late Sonny Bono, with her father, Clay Whitaker, at a vigil in a Palm Springs, California, church, preceding the congressman's funeral on Friday.

aims to help youths see police officers as role models.

The album tribute to Diana, Princess of Wales, has raised \$64.8 million for charity in four weeks, Virgin Records reported.

Eddie Fisher has written a tell-all book that he promises will include the "real story" about his marriages to Debbie Reynolds and Elizabeth Taylor. The book, still untitled, will be released this year by St. Martin's Press. "The focus of the book will be on the most complicated and publicized love story of the 20th century, one that riv-

eted the attention of the world in the 1950s and 1960s," Fisher said in a statement. Fisher said the story of his breakup with Reynolds and marriage, followed by divorce, to Taylor "has never been told."

The U.S. rap impresario Sean (Puff Daddy) Combs has canceled two sold-out British concerts next week on grounds of ill health. His promoters said the rapper was exhausted after a U.S. tour. He was to have headlined a rap bill, with Lil' Kim, 112, Mase, Little Caesar and Shola Ama, at concerts on Monday and Tuesday in Wolverhampton and at the Wembley Arena in London.

Many Newsmen Criticize Brinkley for Becoming a Pitchman

By Howard Kurtz
Washington Post Service

WASHINGTON — Daniel Schorr says he was offered more than \$1 million to be a pitchman for Avis Rent-A-Car. He refused. "I have spent 50 years building the reputation I have, and the first time I was on the air with this, I would throw away that reputation," the National Public Radio commentator says.

Walter Cronkite says he was offered \$5 million to do four commercials a year for a car product. He passed. "It casts some doubt upon our impartiality and integrity, perhaps," the former CBS anchor says.

Bernard Kalb says he was offered a

six-figure sum to interview newsmakers for a Shearson Lehman Hutton campaign. "I thought about it and I was very uncomfortable," the CNN commentator says. "I was tempted by the money, but I decided I simply cannot do this. It's an abandonment of something."

Many people in the news business are aghast over David Brinkley's decision to become a television spokesman for Archer Daniels Midland, the Illinois-based agribusiness giant that has helped sponsor the Sunday morning program he launched in 1981.

"This Week With David Brinkley," Brinkley, 77, is a longtime friend of Dwayne Andreas, the chairman of Archer Daniels Midland, which

pleaded guilty to price-fixing charges in 1996. Both men have apartments in a Bal Harbour, Florida, co-op.

Some news celebrities do advertising work while still on the job. The CBS "Sunday Morning" host, Charles Osgood, reads Northwest Airlines spots on radio; Joan Lunden did Vaseline ads while she was co-host of ABC's "Good Morning America."

Still, Brinkley's status as an icon during a half century with NBC and ABC has made many journalists view his decision as particularly painful. "What is money in this stage of my life, and in this stage of David's life?" Schorr says. "I frankly cannot understand it. He is a role model for young people. I was dismayed and shocked."

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